



## e-Government

### ***FTB's Blueprint for e-Government***

*e-Government: The integration and blending of government services and the agencies that provide those services to the public.*

We at the Franchise Tax Board are poised on the threshold of a new era of government. The Internet revolution that is reshaping how private industry conducts business and serves its customers, also offers government the opportunity to rethink how we interact with our own customers, suppliers, and distribution channels.

It also offers us the opportunity to transform our relationship with taxpayers, tax professionals, and many others.

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### ***Portals: Your Path to e-Government***

Californians should be online instead of in line.

If you agree, then you already understand why we at the Franchise Tax Board are excited about portals.

A portal is a web-based interface that provides a single point of integration and navigation to user-specific information and services.

A portal operates on the World Wide Web, but it's more than just a website. It is highly customizable so it can be designed to meet the user's personalized needs.

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## Tax News

Volume 00-4 July/August 2000

**TAX NEWS** is a bimonthly publication of the Communications Services Bureau, California Franchise Tax Board. Its primary objective is to provide information to income tax practitioners about state income tax laws, regulations, policies and procedures.

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# Child Support Comes First

Effective Jan. 1, 2000 the Franchise Tax Board is required to resolve a taxpayer's child support debt account before pursuing involuntary collection of that taxpayer's personal income tax debt.

The new law (Revenue and Taxation Code section 19271.5) only affects those individuals who are subject to involuntary collection action for a tax debt and also have a child support debt assigned to FTB for collection.

As a result of the new law:

- FTB is prohibited from taking involuntary collection actions (i.e. bank levies) on accounts that have an FTB-assigned child support obligation. The filing of a tax lien is not considered an involuntary action.
- FTB may continue to bill these taxpayers and set up voluntary installment agreements if collection of the individual tax obligation does not jeopardize

collection of the child support obligation.

- Taxpayers with both individual tax and delinquent child support obligations were identified and re-assigned to specific units within FTB to eliminate the possibility of erroneous debt collection actions occurring.
- Of the accounts identified above, those with outstanding *Earnings Withholding Order for Taxes* or bank levies, including levies issued on spouses, were identified and the levies released.

The previous law mandated that FTB collect the individual tax amount due before collecting the child support obligation. If you have a client who may be affected by the new law or have questions about the collection of child support obligations, refer them to the FTB Child Support Collections Unit at (916) 845-4010.

## Payment Arrangement or Estimate Payment?

Please remind your clients that *they* must contact us to set up a payment arrangement.

Some taxpayers have contacted us and told our customer service representatives that their tax preparer placed them in a payment arrangement and gave them four payment coupons. In fact these *coupons* are actually estimate vouchers for the current year.

When we advise the taxpayer that the payment has been applied to

estimate taxes instead of an outstanding tax debt for the prior year, they are understandably upset.

Since the total amount on the estimate payment vouchers is often approximately the same as the tax due, it is easy to see how misunderstandings can occur.

Any help that you can give us in clarifying the difference between a payment arrangement and estimate payment is appreciated.

# Extensions, Payment Plans Can Ease Clients' Anxiety, Tax Bills

Many people put off filing their tax return because they don't have the money to pay their taxes on the date they are due. This may cost more money in the long run. Consider the following example:

Taxpayers A and B were unable to file their 1998 individual tax returns by the April 15, 1999 due date so they took advantage of our automatic extension, which gave both taxpayers until Oct. 15, 1999 to file their tax returns. Since both taxpayers thought they would not owe additional tax, they did not complete *Payment Voucher for Automatic Extension for Individuals*, form FTB 3519.

Taxpayer A eventually completed the return, and it resulted in a \$1,000 balance due. Taxpayer A filed the return on Oct. 15 (the extended due date) but did not pay the \$1000 balance due until Nov. 14, 1999.

As a result, we assessed Taxpayer A a late payment penalty of \$80 and \$51 in interest accrued, dating back to April 15, 1999. Taxpayer A's total tax liability: \$1,131.

Taxpayer B also completed the 1998 return, which also resulted in a \$1,000 balance due. Taxpayer B, however, waited until Nov. 14 to file the return and pay the \$1000 balance due.

Consequently, we assessed Taxpayer B a late filing penalty of \$250 and \$51 in interest accrued, dating back to April 15, 1999. Taxpayer B's total tax liability: \$1,309.

Taxpayer A saved \$170 in penalties by filing the return by the extended due date, even though he/she could not pay the balance due at the same time.

Remind your clients that an extension to file the return is not an extension of time to pay the tax owed. They can use

the tax payment worksheet provided on the form FTB 3519 to help determine if they owe tax. If it appears that there will be a balance due, there are a couple of options available that can help taxpayers avoid the accumulation of penalties and interest.

**Credit cards.** Taxpayers can pay their taxes by credit card. We accept American Express, Discover/NOVUS, and MasterCard. They can use a credit card to pay unpaid balances or estimated taxes. Call toll-free (888) 2PAY-TAX or (888) 272-9829, or go to the Official Payments Corporation website at: [www.8882paytax.com](http://www.8882paytax.com).

**Payment arrangement.** Advise your clients to contact us and ask for an installment payment arrangement. Qualifying taxpayers may be able to obtain approval over the phone. If they have filed all required tax returns and their balance is less than \$10,000, they can pay off their liability within a three-year period through our electronic funds transfer program. Just call (800) 689-4776 to see what we can do to make payment less painful.

## Taxpayer Advocate Retires

Anne Smith, FTB's first Taxpayer Advocate, has retired from the Franchise Tax Board after 25 years of state government service.

She and her husband, Craig, have moved to the Palm Desert area.

We at FTB and many in the tax practitioner community will sorely miss her.

Debbie Newcomb, the Taxpayer Advocate Bureau's Assistant Bureau Director, has been named the acting Taxpayer Advocate.

## Ask the Advocate



Anne Smith  
Taxpayer  
Advocate

**Q: I would like to offer some suggestions for changes to FTB forms and publications. Can I contact the Advocate for this type of thing?**

**A:** Certainly. Most people think of the Advocate staff as only resolving individual taxpayer problems. We also look for trends, identify issues as they develop, and work with other parts of the department to help make filing easier for taxpayers.

Improving FTB's forms and publications is, of course, one of the best ways to make it easier for taxpayers to file their tax returns.

Advocate staff provide input on many FTB forms in the development stage. We also review all FTB forms and publications before they are released for public distribution.

If you wish to contact the Advocate, you can write to us at:

Taxpayer Advocate Bureau  
MS B - 20  
PO Box 157  
Rancho Cordova, CA  
95741-0157

Or send us a fax:  
(916) 845-6614

You can reach us on the Internet at:  
[www.ftb.ca.gov/taxpayer\\_advocate](http://www.ftb.ca.gov/taxpayer_advocate).

## e-government

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Beginning in the early 1990s, we became one of the first tax administration agencies to offer the public electronic means to file and pay taxes, and do other business with us. As we begin this new decade and new century, we plan to remain in the forefront of government agencies, providing our customers with the best that technology has to offer.

An important part of maintaining that leadership is engaging in strategic and business planning relative to our e-government vision and how we plan to achieve it. In addition, the Governor's Office is currently planning statewide e-government programs.

The initial results of our e-government planning efforts will become available later this month in the form of our first *e-Government Blueprint*.

This document lays out our high-level vision and goals in the area of e-government, establishes timeframes for reaching major milestones along the way, sets forth some of the high-level strategies that will help us deal with e-government

issues, and enumerates some of the projects that we will undertake in the next few years to begin this transformation.

This initial blueprint marks only the beginning of our e-government planning. As we move forward in implementing the plan, as new technologies continue to emerge, and—most importantly—as we get additional input from you and our

other stakeholders, our *e-Government Blueprint* will evolve accordingly.

We welcome your input to this process. If you are interested in seeing the plan, simply go to our website at [www.ftb.ca.gov](http://www.ftb.ca.gov) and access the *Other FTB Info* webpage. Please send any comments or suggestions you have regarding the plan to our electronic suggestion box.

### **FTB's e-Government Vision**

Transform the relationship between FTB and our customers, suppliers, and distribution channels by using appropriate technologies to offer high-quality e-government services.

FTB will become more accessible to taxpayers and others by offering an array of products and services that are easy to use, tailored, secure, confidential and convenient. These electronic channels will create value for our customers without increasing cost or burden and without increasing long-term costs to FTB.

### **Our Goals:**

Deliver e-Government services to our customers and their agents.

Use appropriate technologies to improve how we conduct business internally and with our suppliers.

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## Portals

*Continued from page 1*

“The National Electronic Commerce Coordinating Council has put forth some definitions for a governmental portal based on a series of five levels of portals,” said P.K. Agarwal, Franchise Tax Board's chief information officer and a member of the council. “The higher the level, the more customer-centric the information and services provided by the entity operating the portal.”

Visit the California Tax Information Center at [www.taxes.ca.gov](http://www.taxes.ca.gov) and you'll find an example of a typical first-level portal. Sponsored by the California Fed-State Partnership (The partnership includes FTB, California's State Board of Equalization, Employment Development Department and the Internal Revenue Service), this first-generation portal provides its users one-stop shopping for all their tax-related needs.

For example, users can get information about individual or business taxes, or download forms from several taxation

organizations (e.g. individual income tax, sales and use tax, and payroll tax forms).

A second-level portal allows users to not only retrieve information from various government entities, but also to execute many of the transactions previously performed through the mail or in person such as filing your tax return, paying a tax bill, and registering your vehicle.

“Many California departments, including FTB, will be operating

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# FTB to Provide Filing Portal in 2001

Starting in January 2001, individual taxpayers who prepare their own returns using commercial tax preparation software or online services will be able to transmit their returns over the Internet to a *Filing Portal* provided by Franchise Tax Board.

FTB, in cooperation with several tax software developers and online tax preparation services, is well underway in developing the Filing Portal and transmission standards to

create this new secure, confidential option for individuals who do not use the services of a tax preparer.

FTB's filing portal will be merely a technology channel that allows these self-preparers to electronically file without having their returns "batched" with other returns by an intermediary and then sent to FTB using a modem-to-modem (non Internet) system.

The Filing Portal project is the result of a directive provided in February

2000 by the members of the three-member Franchise Tax Board.

Beyond 2001, FTB expects the portal to enable filing of single or multiple returns from tax practitioners and transmitters.

In addition, the portal eventually will provide the foundation for other secure, direct electronic transactions between FTB and citizens, including payments and inquiries.

## Portals

*Continued from page 4*

second-level portals very soon," said Agarwal.

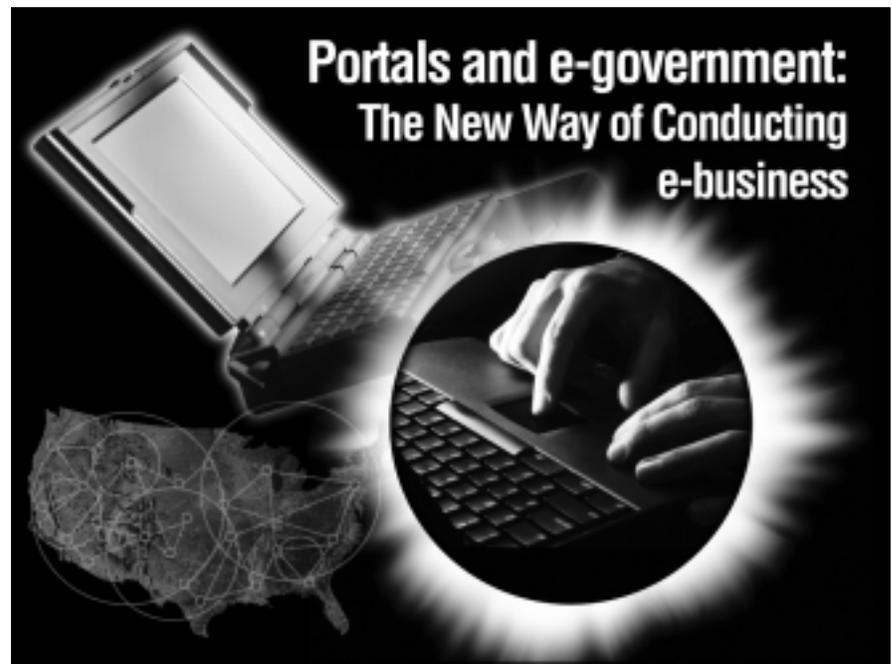
A portal on the third level has the capacity for even more customer-centric services. You can jump from one government agency to the next without the need to authenticate yourself over and over again.

"The portal will know who you are," said Agarwal.

At the fourth level, portals will make things even easier for you. Instead of jumping from one agency to the next, the portal will intuitively draw the data needed for a transaction from the different agencies and bring it to you.

You need only to authenticate yourself once. For example, you'll be able to change your client's mailing address for every necessary government agency with a click of the mouse.

At the fifth level, portals are the epitome of customer-centric e-Government. A fifth-generation portal will provide you with aggregated



**Portals and e-government:  
The New Way of Conducting  
e-business**

and customized information in subject areas that are of specific interest to you.

Your automobile's file, for example, could include information about its registration, traffic citations, auto insurance carrier, etc.

"The fifth level portal will be a complex, growing organism, rich in

data, transactions, and multimedia. It will almost replicate society," said Agarwal.

Building bigger and better portals are a large part of FTB's vision for California e-Government — a customer-centric government where you neither stand in, nor trip over, bureaucratic lines.

# Corrections to 1999 California Tax Forms

Please note the following corrections to distributed 1999 California tax forms and instructions. Should you have any questions about these clarifications, contact the Franchise Tax Board Tax Forms Development and Distribution Section at (916) 845-3442.

**Personal Income Tax Resident Booklet (page 7), Form 540 Booklet (page 6), Form 540A/EZ Booklet (page 7), Form 540NR Booklet (page 6)** – In the chart titled *Important Due Dates*, in the box beside *October 16, 2000*, the date that penalties and interest are computed from is incorrect. It should read:

“Last day to file your 1999 return to avoid penalties and interest computed from the original due date of April 15, 2000. (Because April 15, 2000 is a Saturday, any payments mailed by the following business day, April 17, 2000, are credited as having been mailed on the original due date, April 15, 2000. Accordingly, any penalty applicable to the late filing of a return or a late payment is computed from the original April 15, 2000 due date).”

Note: The general rule for the time for filing returns or other documents, is that when the due date falls on a Saturday, Sunday or other legal holiday, returns may be filed on the first business day following without penalty. (18 CCR §18433.1, Internal Revenue Code §7503.) Please note that the due date of the return is not itself changed (any penalties and interest applicable to the late filing of a return or a late payment is computed from the original April 15, 2000 due date). Returns filed after the due date are deemed to be timely if they are filed on the first business day after the due date. This situation will occur again for the extended filers with a due date of Oct. 15, 2000.

*The error is in Package X (paper and CD-ROM 99.2) and the above referenced booklets. The Internet version is correct.*

**Form FTB 3805V, Net Operating Loss (NOL) Computation and Disaster Loss Limitations -Individuals, Estates, and Trusts - Part I, Section A, Line 2** should

have brackets to indicate a negative amount. It should appear as follows:

2            \_ ( \_\_\_\_\_ | \_\_\_\_\_ ) \_

*The error is in Package X (paper and CD-ROM 99.2) and the single copy version. The Internet version is correct.*

**Form 597-W, Withholding Exemption Certificate and Nonresident Waiver Request for Real Estate Sales – Page 2, Part II, Seller Acquired Property By** should read:

“Foreclosure/Repossession call (888) 792-4900.”

*The error is in Package X, (paper and CD-ROM 99.2). The Internet version is correct.*

**Form FTB 3501 Employer Child Care Program/Contribution Credit - Instructions – Page 2, Column 1, Part II, Section B,** insert a new paragraph between the first and second paragraph. The new paragraph should read:

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## New Law Calls for Independent Contractor Reporting to EDD

Beginning January 1, 2001, any business or government entity that must file a federal Form 1099-MISC for services received must also report specific independent contractor information to the Employment Development Department (EDD).

This reporting requirement, resulting from Senate Bill 542 (Burton), is in addition to the current requirement to report new hires.

Businesses or government agencies must report this information within 20 days of entering into a contract for \$600 or more, or, if there is no contract, within 20 days of when the aggregate payments reach \$600. EDD will forward

the data to state and local child support agencies to identify, for child support purposes, the income source of delinquent parents.

The information the business or government entity is required to provide is:

### The independent contractor's:

- Full first name and last name
- Social security account number (SSN)

### The business or government entity's:

- Business name
- Business address

- Telephone number
- Federal employer identification number (FEIN)
- EDD employer account number, if applicable
- SSN, if applicable
- The date the contract is executed, or if there is no contract, the date payments in the aggregate first equal or exceed \$600.
- The total dollar amount of the contract, if any, and the contract expiration date.

For further information, please check EDD's Website at [www.edd.ca.gov/txicr.htm](http://www.edd.ca.gov/txicr.htm), or contact EDD at (916) 657-0529.

# Proposed Bills

## Tax Credits

Among the measures being considered by the California Legislature are some that create new tax credits.

**AB 1734 (Thomson)** would allow a refundable credit to an eligible employer that pays or incurs at least 80 percent of an eligible individual's health insurance premium for those eligible individuals who are residents of California with a salary that does not exceed three times the state minimum wage.

**AB 1756 (Scott)** would provide a credit equal to 55 percent of the cost paid or incurred for any seismic retrofit of a single family or multiple family residential structure located in California and constructed prior to 1979.

**AB 1854 (Cedillo)** would allow a refundable credit based on the federal earned income credit (EIC). The state credit amount would equal 15 percent of the federal EIC amount reduced by any state alternative minimum tax. The credit would not be allowed to a person who uses married filing separate status.

**AB 1901 (Cedillo)** would establish the Urban Initiatives Act in the Government Code. The Trade and Commerce Agency would designate, through an application process, up to 10 urban adaptive reuse zones. This bill would allow a credit based on the federal rehabilitation credit.

**AB 2065 (Nakano)** would provide a \$500 tax credit for taxpayers who own and occupy a residence located within the noise impact boundary of a noise problem airport with an annual community noise equivalent level of 65 decibels or greater.

**AB 2097 (Davis)** would allow a credit equal to the federal credit for expenses for household and dependent care services necessary for gainful employment.

**AB 2163 (Cunneen)** would allow two credits. The first credit would equal \$10 for each low-income household for which a taxpayer conducting a trade or business in California provides a computer for \$10 or less per month that can be used to access the Internet. The second credit would equal \$5 for each low-income household for which an Internet service provider conducting business in California provides Internet access for \$5 or less per month.

**AB 2208 (Frusetta)** would allow a credit equal to 25 percent of the qualified expenses paid or incurred for preventive health care, a health plan, or preventive care insurance provided to the taxpayer's employees who are qualified farmworkers.

**AB 2237 (Maldonado)** would allow a credit equal to an unspecified percent of the amount paid or incurred for environmental building expenses, as defined.

**AB 2268 (Correa)** would allow an eligible caregiver a credit equal to \$500 for each applicable individual.

**AB 2360 (Honda)** would allow an additional \$500 renter's credit to a *qualified renter*. A qualified renter would include an entry-level teacher in grades K through 12 or a public safety officer.

**AB 2400 (Maddox)** would increase from \$227 to \$314 the dependent exemption credit for taxable years beginning on or after January 1, 2000.

**AB 2435 (Thompson)** would allow a credit equal to the grape crop losses sustained by a grower due to the Glassy-Winged Sharpshooter pest or Pierce's disease.

**AB 2455 (Thompson)** would allow a credit equal to 20 percent of the market price, as defined, of any unharvested fruit grown by a commercial grower that was lost as a direct result of the Bloomington or Fallbrook Mexican Fruit Fly Quarantine.

**AB 2461 (Runner)** would make the following changes to the Manufacturers' Investment Credit (MIC):

- increase the credit from 6 percent to 8 percent of qualified costs,
- extend the MIC to taxpayers engaged in extracting nonmetallic minerals,
- extend the MIC to specified taxpayers engaged in electric services,
- expand the current law definition of *qualified activity* to include extracting and generating of electricity,
- expand the definition of when manufacturing or other processes commence and conclude, and
- delete the repeal date.

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## Tax Forms

*Continued from page 6*

"For purposes of this credit, self-employed individuals may also claim this credit if they make contributions to a qualified care plan for their dependants under the age of 12."

*The error is in Package X, (paper and CD-ROM 99.2) and the Form FTB 3501 instructions. The Internet version is correct.*

# Proposed Bills

## Tax Credits

*Continued from page 7*

**AB 2466 (Wiggins)** would allow a credit equal to an unspecified percentage of the federal earned income credit.

**AB 2487 (Pacheco)** would establish the Firearms Buyback Program for the funding of the purchase and destruction of firearms.

**AB 2596 (Corbett)** would expand the Manufacturers' Investment Credit to include those taxpayers engaged in the lines of business described in Code 22112 of the North American Industry Classification System Manual related to electric power generation.

**AB 2765 (Knox)** would allow a credit for amounts paid or incurred for health care insurance for an eligible individual and the individual's dependents.

**AB 2766 (Knox)** would allow a credit equal to 20 percent of the qualified value of real property donated to a city or county in this state for open space purposes.

**SB 1626 (Hayden)** would allow a one-time refundable credit equal to 80 percent of the cost paid or incurred for obtaining a personal computer, printer, and Internet access for taxpayers qualifying for the federal earned income credit.

**SB 1754 (Kelley)** would allow an employer a credit equal to 40 percent of the cost paid or incurred for providing subsidized public transit passes, within defined areas, to an employee.

**AB 2768 (Nakano)** would reduce by 10 percent the net Bank and Corporation Tax Law tax imposed after application of any credits for eligible small

businesses. The reduction also would apply to the minimum franchise tax. The reduction would be effective for income years beginning on or after January 1, 2000, and before January 1, 2006. The reduction would not apply to S Corporations.

**SB 1392 (Kelley)** would remove an *extractive business activity* from the definition of qualified business activity for purposes of determining those apportioning trades or businesses that must apportion business income by using a three factor apportionment formula (single-weighted sales factor).

**SB 1724 (Dunn)** would expand the restrictions on disclosure of federal and state tax return information to disclosures made internally within the entity (or affiliate of the entity) preparing or assisting in preparing the return. The bill would make it a misdemeanor to dispose of specified information in a manner in which the identity of the taxpayer may be determined.

**SB 2125 (Peace)** would provide a presumption that FTB followed the federal rules, regulations, and procedures in making IRC Section 482 audits with respect to corporations that elect to use the federal profit split method and that the allocation clearly reflects the income of the taxpayer or the taxpayer's water's edge group and the electing corporations. The federal election would be binding for state purposes. Failure to make a federal election would preclude the taxpayer from making a separate state election.

**SB 1817 (Murray)** would allow a credit equal to an unspecified amount to any taxpayer that provides an Internet connection and an access device without charge to a low-income household, as defined.

**SB 1920 (Kelley)** would expand the manufacturer's investment credit to include any qualified taxpayer engaged in those lines of business described in code 221119 of the North American Industry Classification System, relating to other electric power generation.

**SB 1948 (Lewis)** would allow a credit equal to 50 percent of the qualified expenses for lending a qualified employee to a public school or vocational institution to teach math or science.

**SB 1974 (Poochigian)** would allow a credit equal to 30 percent of the cost paid or incurred for the purchase and installation of an irrigation system improvement that is placed in service in this state on land that is used in a farming business. The bill would define *irrigation system improvement*. Any excess credit could be carried over until exhausted. However, the carryover would be disallowed, if the taxpayer sells the land upon which the irrigation system improvement was installed. In addition, the basis of the improvement would be reduced by the amount of the credit taken.

**SB 2021 (Polanco)**, which is sponsored by the Controller, would establish two credits. The first credit would allow a qualified taxpayer a credit of up to \$500 for each qualified employee placed on an alternate work schedule. The credit amount would vary as follows:

- For a qualified employee placed on an alternate work schedule other than telecommuting, the credit amount would be \$500.
- For a qualified employee that telecommutes at the employee's principal place of abode, the \$500 credit amount would be prorated based on the number of hours the employee telecommutes.

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# Proposed Bills

## Tax Credits

*Continued from page 8*

**SB 2037 (Alarcon)** would allow a credit equal to five percent of the environmental building costs paid or incurred.

**SB 2051 (McPherson)** would allow a credit equal to an unspecified percentage of the amount paid or incurred for the certified final cost of expenditures necessary to meet seismic safety requirements, as defined.

**SB 2114 (Leslie)** would increase from \$227 to \$314 the dependent exemption credit.

**SB 2145 (Knight)** would make the manufacturer's investment credit permanent by removing the repeal date. The bill also would provide that any revenue loss attributable to the extension would not be considered by the Department of Finance in determining the General Fund revenue for purposes of reducing the vehicle license fee.

**SB 2150 (Polanco)** would allow a refundable credit equal to \$350 for each child for whom the taxpayer paid or incurred at least \$2,500 for child care. The credit would be allowed only if the taxpayer's total household income is below 250 percent of the federal poverty level.

**SB 2198 (Soto)** would create the Homeownership Tax Credit Act of 2000. Under the Bank and Corporation Tax Law, this bill would allow a qualified lender a homeownership tax credit.

**SB 2200 (Dunn)** would increase the research and development credit (R&D) as follows:

- Under the Personal Income Tax Law and the Bank and Corporation Tax Law, this bill would increase the R&D credit percentage from 12 percent to 17 percent for *qualified research expenses*.
- Under the Bank and Corporation Tax Law, this bill would increase from 20 percent to 30 percent the credit amount for basic research payments.

## Voluntary Contributions

**AB 2102 (Strom-Martin)** would authorize individuals to designate voluntary contributions to the Animal Population Control Fund.

**AB 2212 (Frusetta)** would create the National World War II Veterans Memorial Trust Fund. Individuals would be permitted to make voluntary contributions to this fund.

**SB 1932 (Solis)** would allow individuals to make voluntary contributions to the California Lung Disease and Asthma Research Fund.

## Deductions

**AB 1774 (Lempert)** would phase in an increased percentage (from 50 percent to 60 percent) of the net operating loss that may be carried over to subsequent years. In addition, the bill would increase from 5 to 10 the number of years that the net operating loss may be carried forward.

**AB 2200 (Rod Pacheco)** would allow a deduction, in computing adjusted gross income (AGI), for 100 percent of the medical expenses in excess of \$1,000 paid by a taxpayer who is 65 years or older. The deduction would be phased out for individuals with AGI over \$50,000 (\$100,000 for married taxpayers).

**AB 2281 (Alquist)** would allow a deduction, in computing adjusted gross income, equal to the applicable percentage of the amount paid or incurred for long-term care insurance for the taxpayer, the taxpayer's spouse, and the taxpayer's dependents.

**AB 2533 (Pacheco)** would allow an above-the-line deduction for the cost paid or incurred for prescription drugs.

**AB 2592 (Campbell)** would modify the research and development credit (R&D) as follows:

- increase the credit percentage for *qualified research expenses* from 12 percent to 20 percent; and
- decrease the minimum threshold for the taxpayer's base amount in computing the R&D credit from not less than 50 percent to not less than 20 percent of the taxpayer's current year qualified research expenditures.

**AB 2603 (Strickland)** would allow individuals that do not itemize to claim a deduction for charitable contributions. The deduction would equal 50 percent of the amount of any allowable federal charitable deduction that is in excess of \$100.

**SB 1521 (Monteith)** would allow a qualified taxpayer to elect to deduct

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# Proposed Bills

## Deductions

*Continued from page 9*

costs paid or incurred for the construction or purchase of water filter systems and equipment placed in service in this state that would prevent contaminated agricultural water from polluting public waterways or underground aquifers.

**SB 2104 (Morrow)** would allow a qualified taxpayer (farmer) to expense 40 percent of the cost of replacement property placed in service as a direct result of a natural event, as defined.

## Enterprise Zones

**AB 1959 (Romero)** would require the Trade and Commerce Agency (TCA) to designate an extension of the Los Angeles Eastside Enterprise Zone in the unincorporated area of Los Angeles County. The bill would express legislative intent to geographically expand by 20 percent an area contiguous to the existing Los Angeles Eastside Enterprise Zone.

**AB 1977 (Reyes)** would allow Trade and Commerce Agency (TCA) to designate a geographic area meeting specified criteria as a value added agriculture land use economic (VALUE) zone. This bill would require the TCA to designate, upon application of an eligible city, county, or city and county, up to five VALUE zones. The designations would be effective for 12 years from the date of original designation.

**AB 2090 (Reyes)** would allow the geographic expansion of a Targeted Tax Area (TTA), not to exceed 15 percent, to areas contiguous to existing TTAs.

**SB 1568 (Alarcon)** would incrementally increase the current number of enterprise zones from 39 to 50 on and after January 1, 2004. This bill also would allow local governments to apply for reconfiguration of their zones.

**SB 1904 (Kelley)** would provide that the tax incentives generated in an enterprise zone may offset the tax attributable to activities within all enterprise zones.

## Exclusions

**AB 1728 (Villaraigosa)** would exclude from gross income any amount received as reparation payments from the German Foundation known as Remembrance, Responsibility, and the Future, or any other source of humanitarian reparations related to persons required to perform slave or forced labor or required to sell property at below market prices during World War II.

**AB 1766 (Maddox)** would exclude from gross income any earnings received for active service as a member of the California National Guard.

**AB 1783 (Nakano)** would increase from 50 to 100 the percentage of gain that may be excluded from the sale of qualified small business stock purchased after the effective date of this bill and held for more than five years.

**AB 2442 (Corbett)** would provide that the 50 percent exclusion for the gain on qualified small business stock also would apply to "other qualified small business interests," as defined, issued,

formed or created after January 1, 2001, and held for more than five years.

**AB 2561 (Zettel)** would exclude from gross income retired pay and survivor annuities received as a result of active service of a member of the armed forces of the United States.

**SB 1725 (Haynes)** would exclude from gross income:

- All military retirement benefits received under the federal Survivor Benefit Plan; and
- The first \$20,000 of military retirement pay.

## Conformity

**AB 2763 (Knox)** would, in general, conform to the Internal Revenue Code (IRC) either by incorporating the IRC by reference or by stand alone language that mirrors the federal provision. When applying the IRC for state purposes, the IRC as of the "specified date" of January 1, 1998, must be used, unless a specific provision provides otherwise. This bill would change the specified date from January 1, 1998, to January 1, 2000, for taxable and income years beginning on or after January 1, 2000. Changing the specified date automatically conforms to all changes in the IRC from January 1, 1998, through December 31, 1999, that have been previously incorporated by reference.

**SB 1430 (Haynes)** would eliminate appreciated property charitable contribution deduction as an item of tax preference. This item was eliminated from being a federal alternative minimum tax preference item in the Revenue Reconciliation Act of 1993.

*Continued on page 11*

# Proposed Bills

Continued from page 10

## Miscellaneous

**AB 1016 (Briggs)** would extend the same protections of the attorney-client privilege to any federally authorized tax practitioner, if the communication would have been privileged had it been between a client and an attorney. The protection would not apply to communication related to criminal tax matters or corporate tax shelters.

**AB 1784 (Lempert)** would remove the repeal date on the California Internet Tax Freedom Act.

**AB 1970 (Leach)** would delete the provisions providing for the adjustment of the Limited Liability Company fee.

## Legislative Analyses on the Internet

Would you like to know more about a legislative measure you read about in Tax News? We post analyses of legislation on our website.

Go to [www.ftb.ca.gov](http://www.ftb.ca.gov) and click on the Law and Legislation button. There you will find a preview of proposed tax law changes and how they might affect your clients if the legislation becomes law.

We also post proposed and final regulations, legal notices and rulings, and links to the Revenue and Tax Law and the California Code of Regulations.

You can find legislative measures at [www.leginfo.ca.gov](http://www.leginfo.ca.gov), the Official California Legislation Information website.

**AB 2328 (Ducheny)** would allow any biotechnology or technology company to surrender its unused tax benefits attributable to research credit or a net operating loss carryover and receive a refund equal to 50 percent of the value of those unused tax benefits.

**AB 2588 (Campbell)** would provide that taxes imposed under the Personal Income Tax Law and the Bank and Corporation Tax Law would be an unspecified percentage of the taxpayer's federal tax liability prior to the application of any federal tax credits.

## FTB/IRS Announce Fall e-file Seminar Schedule

This autumn, Franchise Tax Board and the Internal Revenue Service will conduct e-file seminars at locations throughout California. Here are the dates and locations:

### Oakland/San Francisco Area

**Oct. 5, 9 a.m. – Noon**  
Oakland Federal Bldg.  
N. Tower Auditorium, 3<sup>rd</sup> Floor  
1301 Clay Street, Oakland

**Oct. 10, Noon – 3 p.m.**  
Richmond Library  
325 Civic Center Plaza, Richmond

**Oct. 12, 10 a.m. – 1 p.m.**  
San Francisco Federal Bldg.  
Nevada/California Rooms  
450 Golden Gate Ave, San Francisco

**Oct. 17, 10:30 a.m.–1:30 p.m.**  
Redwood City Library  
1044 Middle Field Road, Redwood City

**Oct. 19, 10 a.m. – 1 p.m.**  
Walnut Creek IRS Bldg.  
185 Lennon Lane, Walnut Creek

**Oct. 24, 10 a.m. – 1 p.m.**  
So. Vallejo Community Center  
545 Magazine Street, Vallejo

**Nov. 2, 11:30 a.m. – 2:30 p.m.**

Town Center Mall (inside)  
Corte Madera Community Center  
770 Tamalpais Drive, Corte Madera

**Nov. 7, 1 – 4 p.m.**  
Fremont Library  
2400 Stevenson Blvd, Fremont

**Nov. 9, 10 a.m. – 1 p.m.**  
Hayward Library  
835 C Street, Hayward

**Nov. 14\*, 1 – 4 p.m.**  
Los Medanos College  
2700 East Leland Road, Pittsburg

**Nov. 16\* 1 – 4 p.m.**  
Pleasanton Library  
200 Bernal Ave, Pleasanton

**Dec. 1\*\*, 10 a.m. – Noon**  
San Francisco Federal Bldg.  
Nevada/California Rooms  
450 Golden Gate Ave, San Francisco

**Dec. 5\*\*, 1 – 3 p.m.**  
Oakland Federal Bldg.  
N Tower Auditorium, 3<sup>rd</sup> Floor  
1301 Clay Street, Oakland

**Dec. 7\*\*, 10 a.m. – Noon**  
Walnut Creek IRS Bldg.  
185 Lennon Lane, Walnut Creek

*\*Date subject to change. Please call (510) 637-2482 to confirm.*

*\*\* Recommended for experienced e-file practitioners.*

### Los Angeles Area

**Sept. 19, Oct. 11 or Nov. 2**  
**9 a.m. – Noon or 1 – 4 p.m.**  
Edward R. Roybal Federal Bldg.  
255 East Temple Street, 2<sup>nd</sup> floor, Los Angeles

**Sept. 21, Oct. 19 or Nov. 9**  
**9 a.m. – Noon or 1 – 4 p.m.**  
Van Nuys State Bldg. Auditorium  
6150 Van Nuys Blvd, Van Nuys

**Sept. 26 or Oct. 4**  
**9 a.m. – Noon or 1 – 4 p.m.**  
Southcoast AQMD  
21865 East Copley, Diamond Bar

**Sept. 28 or Oct. 25**  
**9 a.m. – Noon or 1 – 4 p.m.**  
City of Lawndale,\* Council Chambers  
14717 Burin Ave, Lawndale

**Oct. 5 or Nov. 16** **9 a.m. – Noon**  
City of Cerritos, Cerritos Park East  
13234 East 166<sup>th</sup> Street, Cerritos

**Oct. 26, 9 a.m. – Noon or 1 – 4 p.m.**  
Lancaster Community Room  
44933 North Fern Ave, Lancaster

*\*Location subject to change. Please call (213) 576-4183 to confirm.*

Continued on page 12

# e-file Seminars

Continued from page 11

## Central California

**Sept. 26, 10 a.m. – Noon**

Cesar Chavez Library  
615 Williams Road, Salinas

**Sept. 27, 9 - 11 a.m.**

Minami Center, Studio Room  
600 West Enos Drive, Santa Maria

**Sept. 28, 1 – 3 p.m.**

Oxnard Public Library  
251 South A Street, Oxnard

**Oct. 3, 1 – 3 p.m.**

State Building  
1800 30<sup>th</sup> Street, 3<sup>rd</sup> Floor, Bakersfield

**Oct. 4, 1 – 3 p.m.**

State Building  
2550 Mariposa Street, Room 1036, Fresno

**Oct. 5, 1 – 3 p.m.**

Stanislaus County Library  
1500 I Street, McHenry Room, Modesto

**Oct. 10, 1 – 3 p.m.**

Lakewood Park Building  
834 Lakechime Drive, Sunnyvale

**Oct. 11\*, 10 a.m. – Noon**

Santa Cruz Public Library  
224 Church Street, Santa Cruz

**Oct. 12, 1 – 3 p.m.**

Martin Luther King Jr.  
Main Library, McDaniel Room  
180 West San Carlos, San Jose

**Oct. 17\*, 1 – 3 p.m.**

San Luis Obispo City Hall  
995 Palm Street, San Luis Obispo

**Oct. 18\*, 1 – 3 p.m.**

City Hall Meeting Room 202  
501 Poli Street, Ventura

**Oct. 19\*, 1 – 3 p.m.**

City of Visalia  
Recreation Department  
345 North Jacob Street, Visalia

**Dec. 5\*, 1 – 3 p.m.**

Martin Luther King Jr.  
Main Library, McDaniel Room  
180 West San Carlos, San Jose

**Dec. 6\*, 1 – 3 p.m.**

Higuera Adobe Building  
Wessex Place (off N. Park Victoria), Milpitas

*\*Recommended for experienced e-file practitioners*

## Northern California and Sacramento Area

**Oct. 19** 9 a.m. – Noon

**Nov. 14** 6 – 9p.m.

**Dec. 6\*** 10 a.m. – Noon

**Dec. 14\*** 6 – 8 p.m.

IRS Building  
4330 Watt Avenue, Room 118, North  
Highlands (*Select one date only*)

**Oct. 3** 9 a.m. – Noon

Cal Trans Building  
1656 Union Street, Eureka

**Oct. 5** 9 a.m. – Noon

Forestry Center  
6101 Airport Road, Redding

**Oct. 12** 9 a.m. – Noon

Butte County Library  
1108 Sherman Avenue, Chico

**Oct. 17** 9 a.m. – Noon

Stockton State Building  
31 East Channel, Auditorium, Stockton

**Oct. 24** 12:30 – 3:30 p.m.

Santa Rosa State Building  
50 D Street, Room 410A & B, Santa Rosa

**Oct. 25** 12:30 – 3:30 p.m.

Sonoma Valley Regional Library  
755 West Napa Street, Sonoma

*\* Recommended for experienced e-file practitioners*

## Tax News

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