

Glossary

Accuracy Related Penalty	<p>FTB may impose the Accuracy-Related Penalty on the portion of any underpayment of tax that should be shown on a return.</p> <p>See Sections - 4.1.5.2 Penalties – Other 4.2.5.1 Penalty Assessments</p>
Adjusted Gross Income (California)	<p>The federal adjusted gross income from all sources reduced or increased by all California income adjustments.</p> <p>See Section – 4.2.1.5 Filing Requirements</p>
Administrator	<p>Administrators are legal representatives that act in a fiduciary capacity of a deceased taxpayer’s estate.</p> <p>See Section – 3.2.1.5 Administrators and Executors</p>
Aiding And Abetting By A Preparer Penalty	<p>A penalty will be imposed for aiding and abetting understatement of tax liability. The penalty will be determined in accordance with Section 6701 of the Internal Revenue Code.</p> <p>See Sections – 4.1.5.2 Penalties – Other</p>
ARCS	<p>The Accounts Receivable Collection System (ARCS) is an online system that supports the collection of delinquent franchise and income tax accounts.</p> <p>See Sections – 4.1.2.2 Accounts Receivable Collection System (ARCS) Account Documentation 4.2.2.2 Accounts Receivable Collection System (ARCS) Account Documentation</p>
BOE	<p>Board of Equalization.</p>

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Collection Fee	Assessed to taxpayers or entities that require FTB to take collection action.
Continuous Order To Withhold (COTW)	<p>A Continuous Order To Withhold (COTW) is a legal order seizing funds from a miscellaneous payor and remains in effect for up to a year from the date the COTW was issued. A COTW attaches rents, commissions or scheduled payments from a sale of property or any other type of asset where continuous payments are made.</p> <p>See Sections – 7.1.1.3 Continuous Order To Withhold Tax (COTW) Information 7.2.3.1 Continuous Order To Withhold – General Information</p>
Contract Voidability Penalty	<p>During or after reviving the corporation to good standing, the corporation may request relief from contract voidability. Clarification of the penalty will be given when contract void is requested.</p> <p>See Section - 4.1.5.1 Penalties – Common</p>
Delinquent Penalty	Penalty assessed for the late filing of a tax return.
Delinquent Penalty for Limited Liability Companies (LLC's)	If an LLC's income tax return is not filed by the extended due date, FTB will impose a penalty. After FTB applies timely payments and credits, FTB will charge a five percent (5%) monthly penalty on the fee and/or on the Non-Consenting Nonresident (NCNR) members' tax indicated on the return, not to exceed 25%. FTB will impose the penalty from the original return due date.
Delinquent Penalty for Partnerships and Corporations (Late Filing)	If an income tax return is not filed by the extended due date, FTB will impose a penalty of five percent (5%) of the tax due, after applying any payments and credits made on or before the original return due date, for each month or part of a month the return is late. The maximum penalty is 25% that FTB will impose the penalty from the original due date of the return.
Demand Penalty	Penalty assessed for failure to respond to notice of demand.

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Demand Penalty-Failure to File Return	If a demand to file a taxpayer or entity's income tax return is issued, and the return is not filed, FTB will impose a penalty of 25% of the tax liability before applying any payments or credits. For LLCs, the penalty is 25% of the LLC annual tax and LLC fee shown on the return (without regard to timely or refundable credits).
Demand Penalty/Failure to Furnish Information	If a demand to file a taxpayer or entity's income tax return or provide FTB with information is issued, and the taxpayer or entity does not comply, FTB will impose a penalty of 25% of the tax liability before applying any payments or credits. The LLC penalty is 25% of the LLC annual tax and LLC fee shown on the return (without regard to timely or refundable credits).
Dishonored Payment Penalty	Penalty when any payment remitted by check, money order, or electronic funds is not honored for payment by the financial institution on which it was drawn. The penalty is two percent (2%) of the amount of the payment. However, if the payment is \$750 or less, the penalty is \$15 or the amount of the payment, whichever is less.
Due Process	Due process is best defined as giving notice. The essential elements of due process of law are reasonable notice of an action taken that affects an individual and an opportunity to be heard and present any claims or defenses, and in order to be heard, they must be given notice.
EFT	Electronic Fund Transfer - is a method used to move money electronically from a taxpayer's account into the state's account, eliminating the use of paper documents.
Electronic Funds Transfer (EFT) Penalty	Once an entity remits an estimated tax or extension payment in excess of \$20,000 or has a total tax liability in excess of \$80,000 in any taxable year beginning on January 1, 1995, it must make all future payments, regardless of the taxable year or amount, through an EFT. Payments made by other means will result in a penalty of ten percent (10%) of the amount paid.
ERISA	Employees Retirement Income Security Act of 1974 (See section 7.2.2.1 Order To Withhold Personal Income Tax or 5.2.1.8 Vacation Trusts

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Erroneous Intercept	<p>There are two types of erroneous intercepts:</p> <ul style="list-style-type: none">▪ Intercepting Agency Error - The taxpayer states that the agency requested the intercept in error. That is, the taxpayer believes they did not have a liability with the requesting agency for the intercept and/or the amount of the intercept.▪ FTB Error - Due to the timing of the intercept, funds that were actually not available were intercepted.
Estimated Tax	<p>Estimating tax allows individuals to make payments on tax they expect to owe after subtracting expected withholdings and credits.</p>
Estimate Tax Penalty	<p>Penalty assessed for late payment or underpayment of required estimated tax payments.</p>
EWOT	<p>Earnings Withholding Order for Taxes.</p>
Executor	<p>Act on behalf of the decedent to ensure fair distribution of a decedent's assets and settlement of outstanding debts.</p>
Failure to Disclose Reportable and Listed Transaction Penalty	<p>These penalties are imposed for failing to meet the disclosure requirements of reportable and listed transactions.</p> <p>The penalty amount for each failure to disclose a reportable transaction is \$15,000. The penalty amount for a failure to disclose a listed transaction is \$30,000.</p>
Failure to File Education Individual Retirement Accounts (IRA) Report Penalty	<p>A penalty of fifty dollars (\$50) shall be imposed for each failure, unless it is shown that the failure is due to reasonable cause.</p>
Failure to File IRA Report Penalty	<p>A penalty of fifty dollars (\$50) shall be imposed for each failure, unless it is shown that the failure is due to reasonable cause.</p>
Filing Enforcement Fee	<p>Beginning October 1994, assessed on taxpayers that do not file tax returns by the date indicated on a written Demand to File notice.</p>
Financial Statement	<p>Financial statements assist FTB staff in assessing the financial position of the taxpayer within a specified timeframe. It will provide data for determining if there is a partial, temporary, permanent hardship, or facts that justify an I/A.</p>
Fully Paid Returns	<p>Returns received with payments equaling the self-assessed tax. Payments can be a combination of remittance with the return and estimate payments claimed as a credit.</p>
General Lien	<p>A general lien is enforceable by the holder for all obligations that exist against the owner of the property. For example, FTB will issue a general lien for outstanding tax liabilities against property owned by the taxpayer or entity.</p>

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Gross Income (California)	All income received in the form of money, goods, property, and services from all sources that are not exempt from tax. Gross income does not include any adjustments or deductions. See Section – 4.2.1.6 Filing Requirements
Gross Receipts	Gross receipts are the gross amount received by the organization during its annual accounting period from all sources without reduction for any costs or expenses such as cost of goods or assets sold, cost of operations, or expenses of earnings raising or collecting such amounts. See Section – 4.1.7.3 Gross Receipts And Three Year Rule 7.2.4.2 Missing Year Assessments
Head of Household	Head of Household (HOH) is a filing status available for taxpayers with dependents who meet legal requirements. A taxpayer is entitled to the HOH filing status only if the taxpayer is unmarried or qualifies to be considered unmarried on the last day of the tax year. See Section – 4.2.1.8 Head Of Household (HOH)
Interagency Intercept	Government Code Section 12419.5 authorizes the State Controller's office to collect money that is due to one state agency by an individual by deducting the amount of credits due to such individual by another state agency. This procedure is called an interagency intercept.
ISCAR	In-State Collection Account Referral. Account with a California address referred to a private collection agency for collection as authorized by Revenue and Taxation Code section 19377.
Jeopardy Assessment	Franchise Tax Board's (FTB) primary consideration for issuing a jeopardy assessment (J/A) is whether there is, or will be a risk of not collecting an outstanding amount due if immediate collection action is delayed. A J/A is immediately due and payable and collection action may be commenced at once.
Keeper	An ongoing seizure of a taxpayer's cash proceeds for a specific day or days.
Lien Fee	The fee is assessed when it becomes necessary for FTB to file a state tax lien to ensure collection of the balance due on an account.

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Need-to-Know	A protection principle that an individual should have access only to information needed to perform an assigned function.
Next of Kin	Next of kin is defined as the nearest blood relative(s) of a person who has died, including the surviving spouse or anyone who would receive a portion of the estate by the laws of descent and distribution if there is no will.
No-Pay Returns	Returns received without payments or credits.
Notice of Proposed Assessment (NPA)	A Notice of Proposed Assessment (NPA) informs the taxpayer or entity of Franchise Tax Board's (FTB) intent to assess additional tax, penalties, and interest as the result of an audit, adjustment, or income reported.
Notice of State Tax Lien (NSTL)	A Notice of State Tax Lien (NSTL) on a Cause of Action is a lien filed in a court action when the taxpayer is a party (generally the plaintiff) to a lawsuit in which the taxpayer may become entitled to property or a money judgment.
OCA	Outside Collection Agency. Private collection agency contracting with Franchise Tax Board to collect on authorized accounts. This acronym is used to refer to the Contract Collections program.
Order to Show Cause	A court order directing a person to appear and present to the court reasons why a previous legal request was not honored or should not be honored. The department uses the Order to Show Cause primarily to enforce a Subpoena Duces Tecum (SDT).
Order to Withhold Personal Income Tax (OTW)	An OTW is a demand to a third person in possession of funds or properties belonging to the taxpayer to pay over such funds to FTB. The term "person" includes banks or others indebted to the taxpayer.
OSCAR	Out-of-State Collection Account Referral. Account with an out-of-state address referred to a private collection agency for collection as authorized by Revenue and Taxation Code section 19376.
Out of State Collection (OSCAR) Fee	Assessed to taxpayers or entities with delinquent liabilities when FTB assigns their liability to private out of state collections.
Part-Pay Returns	Returns received with an amount insufficient to pay the full amount of tax due.
PIN Notes	ARCS Notes window used by the Contract Collections Group to advise a vendor electronically of account activity.
Power of Attorney (POA)	A Power of Attorney (POA) is a legal instrument that allows a third party representative to act on behalf of the taxpayer or entity with respect to designated tax matters.

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SBE	State Board of Equalization.
Secretary of State (SOS) Certification Penalty	SOS imposes a penalty on corporations and limited liability companies that do not timely file their Statement of Information with the SOS.
Sheriff Fee	Assessed when a warrant has been issued to enforce collection of unpaid tax.
SOS	California Secretary of State.
SOVA	Status of Vendor Accounts. Form used by the Contract Collections Group to advise a vendor of account activity.
Specific Lien	A specific lien is enforceable for a specific obligation existing against the owner of the property and is dependent upon possession of the property by the lienor.
Statute of Limitations (SOL)	The SOL is the time limit imposed by law on the right of both the state and taxpayer or entity to increase or decrease the self-assessed taxes or to file a claim for refund.
Statutory Lien Date	The date a tax liability becomes "due and payable" for purposes of creating a state tax lien. The conditions vary for different types of assessments. The Collection Advisory Team (CAT) is responsible for confirming assessment dates.
Subpoena Duces Tecum	A Subpoena Duces Tecum (SDT) is a document or writ issued under the authority of Revenue and Taxation Code Section 19504(c). The SDT requires a party to produce specified documents, records or papers for inspection and/or photocopying. A court appearance is not required.
Taxpayer Bill of Rights	The Taxpayers' Bill of Rights ensures that the rights, privacy, and property of California taxpayers are adequately protected during the process of assessment (audit, protest, appeal) and collection of taxes.
Third party	Revenue and Taxation Code Section 19504.7, defines a third party contact as contact with "any person other than the taxpayer or their authorized representative with respect to determination or collection of the tax liability of such taxpayer."
Third Party Claim	A Third Party Claim is made by a party other than the taxpayer who alleges to have an interest in an asset that has been seized as a result of a warrant.
Till Tap	Seizing of cash in a taxpayer's cash register.
Underpayment Penalty	Penalty for failure to pay tax when the tax due shown on the return is not paid by the due date of that return.

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Under-Withholding (Form W-4) Penalty	Imposed on individuals for making false withholding declarations. This penalty is most commonly assessed on individuals that claim an excessive number of exemptions to lower their withholding rate.
Vendor	Private collection agency contracting with Franchise Tax Board to collect authorized accounts.
Voluntary Contribution	A voluntary contribution is an election made by the taxpayer to designate amounts on their California tax return to charitable funds allowed by Franchise Tax Board.
Withhold at Source	Withholding At Source is a prepayment of the income (or franchise) tax due on the date(s) California source income was earned. It is not an additional tax because the payee will be allowed to offset the tax due on the return with credit for the tax withheld at source.
Withhold Master File	Used to retain taxpayer name and address information, along with certain tax return information for original and amended returns filed in the three most current process years.
Withhold Purge File	The Withhold (W/H) Purge File is a microfiche record of information of what was purged from the Withhold Master File. A copy of the W/H Purge File may be obtained for returns processed prior to the disuse of the W/H Master File (July 31, 1993) and implementation of the Taxpayer Information (TI) System.