

**Franchise Tax Board Meeting
September 5, 2012
Delinquent Taxpayer Accountability Act
Informational Item**

Delinquent Taxpayer Accountability Act

Assembly Bill 1424, known as the Delinquent Taxpayer Accountability Act was signed into law in 2011. This legislation significantly increased collection enforcement authority for the Board of Equalization and the Franchise Tax Board by:

- Expanding the list from the top 250 delinquencies, as initiated by AB 1418 in 2006, to the top 500 and increasing the frequency that we publish the lists. FTB's Top 250 and Top 500 lists combined have generated approximately \$166 million in revenue from 2007 to present.
- Requiring that we list the names and titles of officers of business entities appearing on the lists.
- Requiring that we list the number and status of any professional/occupational licenses held by taxpayers appearing on lists.
- Requiring California licensing agencies to suspend occupational, professional, and drivers' licenses.
- Prohibiting taxpayers on the lists from entering into contracts to provide goods and services to state agencies.
- Allowing reciprocal agreements with other states for the purpose of offsetting tax refunds.
- Allowing us to enter into reciprocal agreements with other states and the IRS to collect liabilities owed to California and for us to collect liabilities owed to them.

With publication of our list in April 2012, FTB expanded the list to 500 delinquencies, listed the names and titles of officers, and listed the status of occupational licenses held by those on the list.

The license suspension and contract prohibition elements of AB 1424 went into effect on July 1, 2012. In preparation for these changes, we collaborated with BOE and with 14 California licensing agencies, covering numerous boards and bureaus, to ensure accurate suspension and prompt reinstatement of licenses once taxpayers comply. The first suspensions will take place after publication of our next list in October 2012.

Top 500 List

Now, let's talk about the process we used to create our Top 500 list by walking through the process used to create our April 2012 list, the first list published after passage of the Delinquent Taxpayer Accountability Act. Throughout this process, our skilled staff manually reviewed and analyzed the accounts to ensure due process, validated assessments, and confirmed that we had good mailing addresses.

In November 2011, we sent letters to all taxpayers meeting the criteria for possible inclusion on the list. This is a step we take to provide notice and opportunity to comply so that taxpayers can avoid having their names published. In January 2012, we identified the top 500 liabilities owed by individuals and business entities.

In February, as required by the Revenue and Taxation Code, we sent certified letters to the taxpayers with the top 500 delinquencies, informing them that they had 30 days to resolve their accounts with us to avoid publication of their names. Resolution includes providing proof of hardship, establishing an installment agreement, or ideally, paying in full. It might also include filing missing tax returns or correcting liabilities by filing amended returns or a revised audit report. Many taxpayers came forward to resolve their accounts and their names were never published. This is why you will probably never see a full 500 names on our list.

In May 2012, the whole process started again in preparation for our October list. This time the letters sent to those meeting balance due criteria for possible inclusion on the list also informed taxpayers that failure to comply could lead to license suspension and denial of state contracts. The license suspension and contract denial provisions have already prompted a significant increase in compliance. As a result of these provisions, taxpayers have remitted \$38 million since May 2012.

The next step will be to identify the liabilities that qualify for the Top 500 list. The list will be published in October, at which time we will notice licensing agencies of those on the list. The licensing agencies must notify license holders within 30 days that they need to resolve their liabilities with FTB, otherwise they will have their licenses suspended 90 days after the notice.

In a perfect world, California would not publish anyone's name or suspend anyone's license. We are committed to helping taxpayers resolve their issues prior to appearing on the list. If taxpayers wish to comply, all they have to do is call the toll free number provided on our Top 500 correspondence. This is a dedicated line solely for those taxpayers who receive letters related to our Top 500 list.

Future Enhancements

We have recently begun working with the State of Illinois to draft a reciprocal collection arrangement. Under this agreement, we will collect on Illinois liabilities owed by California residents and Illinois will collect California tax debts owed by taxpayers living in Illinois. In addition, we are working on a pilot with New York State for a reciprocal tax refund offset agreement. We anticipate this pilot will begin in July 2013.