



STATE OF CALIFORNIA  
FRANCHISE TAX BOARD  
PO BOX 942857  
SACRAMENTO CA 94257-0550

## Business Entity Refund/Billing Information

This insert contains information for corporations, partnerships, and limited liability companies about:

- Interest rates.
- Methods for calculating interest and penalties.
- Your rights as a taxpayer.

If you have questions about this insert or the enclosed notice, write to us at the above address. Include a copy of the enclosed notice, the entity identification number from the notice, and the name, address, and daytime telephone number of an authorized representative whom we may contact if we need additional information. If you call us, please have a copy of your California tax return and the enclosed notice available for reference.

We refer to the California Revenue and Taxation Code as R&TC. All forms and publications referenced in this insert are available on our Website at: [www.ftb.ca.gov](http://www.ftb.ca.gov)

### Telephone and Internet Assistance

From within the United States, call . . . . . (800) 852-5711  
From outside the United States, call  
(not toll-free) . . . . . (916) 845-6500

Website at: [www.ftb.ca.gov](http://www.ftb.ca.gov)

**Assistance for persons with disabilities:** We comply with the Americans with Disabilities Act. Persons with hearing or speech impairments please call TTY/TDD (800) 822-6268.

**Asistencia para personas discapacitadas:** Nosotros estamos en conformidad con el Acta de Americanos Discapacitados. Personas con problemas auditivos pueden llamar al TTY/TDD (800) 822-6268.

### Rights as a Taxpayer

One of our goals at the Franchise Tax Board is to make certain we protect your rights. We want you to have the highest confidence in the integrity, efficiency, and fairness of our state tax system. The **California Taxpayers' Bill of Rights** (FTB Pub. 4058) includes information on your rights as a state taxpayer and how to request written tax advice from the Franchise Tax Board.

You can order the **California Taxpayers' Bill of Rights** by:

Mail: FRANCHISE TAX BOARD  
PO BOX 942840  
SACRAMENTO CA 94240-0040

Website: [www.ftb.ca.gov](http://www.ftb.ca.gov)

In keeping with the California Taxpayers' Bill of Rights, we have a **Taxpayer Advocate** who reviews cases where taxpayers have been unable to resolve their problems with us through regular channels.

Unless you have received a jeopardy assessment, you have the right to an independent administrative review before we levy your income or assets if you submit a written request within 30 days of the date of the first notice of levy. You can also request review of a tax lien by submitting a written request for review within 15 days of the date of the first tax lien notice.

You can contact the **Taxpayer Advocate** by:

Mail: TAXPAYER ADVOCATE BUREAU  
PO BOX 157  
RANCHO CORDOVA CA 95741-0157

Telephone: (800) 883-5910

FAX: (916) 845-6614

Website: [www.ftb.ca.gov](http://www.ftb.ca.gov)

### Bill of Rights Highlights

The California Taxpayers' Bill of Rights ensures that we adequately protect the rights, privacy, and property of all California taxpayers during the process of assessing and collecting liabilities. The following information may be helpful to you if we begin collection actions on your entity's unpaid liability.

### Alternatives to Collection Actions

If you contact us, you can prevent collection actions by doing any of the following:

- Paying your entity's unpaid liability in full.
- Making arrangements to pay or file at a later date.
- Filing any required entity returns or providing proof that no return is due.

### Offer in Compromise

We provide an Offer in Compromise program for entities that cannot pay their unpaid liability. The program allows you to offer a lesser amount in payment of an undisputed final liability. For more information regarding this program, go to our Website at [www.ftb.ca.gov](http://www.ftb.ca.gov) and search for: **4905BCT**. The search will take you to our *Offer in Compromise* booklet (FTB Pub. 4905BCT). (R&TC Section 19443)

### Laws Regarding Collection Actions

#### Third Party Contacts

We may contact third parties to determine or collect your entity's liabilities. To the extent the law allows, we will provide you, upon your request, a list of individuals or organizations we contacted during the 12-month period following the date of the enclosed notice. We must receive your request no later than 60 days after the 12-month period has ended. (R&TC Section 19504.7)

#### Payment Agreement Termination

If we terminate your entity's promise to pay agreement, we will notify you in writing 30 days prior to the termination. (R&TC Section 19008)

#### Tax Liens

If we file a tax lien, you can get it released by paying the total liability (including any penalties and accrued interest) for the tax years represented by the lien. We will record a certificate of release in the office of the county recorder where we filed the tax lien and/or with the California Secretary of State no later than 40 days after you pay the liability. If you pay by check, the 40-day period does not begin until your entity's financial institution honors the check. (Government Code Sections 7174(c)(1) and 7174(e)(1))

If we file a lien in error, we will mail a Franchise Tax Board Notice of Error to the credit reporting companies and to the county recorder where the lien was filed. (R&TC Section 21019)

#### *Bank, Wage, or Other Levies*

If we take your property and you believe our action is improper, you have the right to a hearing. At the hearing, you should provide information that demonstrates to us the need to change or withdraw our levy or stop the sale of your entity's property.

We may reimburse you for charges you paid which were imposed by unrelated third-party businesses because of our erroneous levy, erroneous processing action, or erroneous collection action. You must meet the following criteria for reimbursement:

- The erroneous levy, erroneous processing action, or erroneous collection action was caused by our error.
- You responded to all our contacts before the erroneous levy, erroneous processing action, or erroneous collection action.
- The unrelated third-party has not waived or reimbursed the charge.

Reimbursed charges and fees would be limited to the usual and customary charges and fees imposed by the third-party in the ordinary course of business. Claims for reimbursement of these third-party fees must be made within 90 days from the date of the erroneous levy, erroneous processing action, or erroneous collection action. (R&TC Section 21018)

The California Code of Civil Procedure Sections 700.010 through 704.995, and the California Revenue and Taxation Code Sections 18670 and 18671 govern the seizure and sale of real and personal property.

#### **Refund Claim Time Frames**

There is a time limit for requesting a refund from us. Generally, you can file a refund claim until the later of four years from the due date of your return, or one year from the date of overpayment. (R&TC Section 19306)

For claims filed on or after January 1, 2002, you can file an informal refund claim within the time frames indicated above even if you have not paid the full amount due. An informal claim will protect your right to file an appeal with the California State Board of Equalization or file suit against us in court after full payment. However, we cannot refund payments or credits made more than seven years prior to full payment of the tax. (R&TC Section 19322.1)

#### **Interest Information**

Generally, interest accrues on unpaid taxes from the original due date of the return until the date we receive payment. Interest accrues on unpaid limited liability company annual tax from the due date of the annual tax. We also charge interest on penalties. (R&TC Sections 19521 and 19101)

We charge C corporations an interest rate 2 percent greater than the current rate if both of the following are true:

- Their total unpaid tax for any taxable year exceeds \$100,000.
- They do not pay their full balance due within 30 days of the original notice date.

The following are rates for computing interest on:

- Underpayments
- Overpayments
- Penalties

**Note:** We do not compound the rate when computing the estimated tax penalty.

INTEREST RATES	
PERIOD	RATE
01/01/2007 – AND LATER	8%
07/01/2006 – 12/31/2006	7%
01/01/2006 – 06/30/2006	6%
07/01/2005 – 02/31/2005	5%
07/01/2004 – 06/30/2005	4%
07/01/2003 – 06/30/2004	5%
07/01/2002 – 06/30/2003	6%
01/01/2002 – 06/30/2002	7%
01/01/2001 – 12/31/2001	9%
01/01/2000 – 12/31/2000	8%
07/01/1999 – 12/31/1999	7%
01/01/1999 – 06/30/1999	8%
07/01/1995 – 12/31/1998	9%
01/01/1995 – 06/30/1995	8%
<b>For corporation overpayments:</b>	
01/01/2007 – AND LATER	5%
07/01/2006 – 12/31/2006	4%
01/01/2006 – 06/30/2006	3%
07/01/2005 – 12/31/2005	2%
07/01/2003 – 06/30/2005	1%
07/01/2002 – 06/30/2003	2%
To get prior years' rates, please see the <b>Telephone and Internet Assistance</b> section of this insert.	

#### **Automatic Extensions**

The automatic extension of time to file does not apply if your entity is suspended or forfeited through the California Secretary of State or Franchise Tax Board on the original due date of the return.

#### **Penalties and fees**

**50 Percent Interest Based Penalty** We imposed a penalty because your entity had a past-due tax liability that qualified for tax amnesty, but it did not resolve its tax obligations. Check the Web at [www.ftb.ca.gov](http://www.ftb.ca.gov) for more information. The penalty is equal to 50 percent of the interest that accrued on the balance from the original due date of the tax to March 31, 2005. You can file a claim for refund of this penalty only on the grounds that the amount of the penalty was not properly computed by the Franchise Tax Board. (R&TC Section 19777.5(a)(1))

**Estimated Tax Penalty** We impose a penalty if your entity does not pay, pays late, or underpays an estimated tax installment. We calculate the penalty on the unpaid amount from the due date of the estimated tax installment to the date we receive your payment or to the due date of the return, whichever is earlier. (R&TC Sections 19142-19161)

**Delinquent Return Penalty** If you do not file your entity's income tax return by the extended due date, we impose a penalty of 5 percent 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 percent. We impose the penalty from the original due date of the return. (R&TC Section 19131)

#### **Delinquent Return Penalty – Limited Liability Company**

If you do not file your limited liability company's income tax return by the extended due date, we impose a penalty. After we deduct your timely payments and credits, we charge 5 percent monthly on the fee and/or nonconsenting nonresident members' tax indicated on your return, not to exceed 25 percent. We impose the penalty from the original return due date. (R&TC Section 19131)

**Delinquent Form 199 Penalty** We impose a penalty if you do not file your organization's Form 199 by the extended due date, regardless of whether you pay the fee. The penalty is \$5 per month or part of a month the Form 199 is late. The maximum penalty is \$40. We impose the penalty from the original due date of the return. (R&TC Section 23772)

**Demand to File Penalty** If we send you a demand to file your entity's income tax return and you do not file it, we impose a penalty of 25 percent of the tax liability before applying any payments or credits. **Therefore, your entity may owe penalties and interest even if its tax return shows that a refund is due.** This penalty is in addition to the 25 percent delinquent return penalty. (R&TC Section 19133)

**Late Filing Penalty – Partnership or Limited Liability Company** We impose a penalty if you do not file partnership or limited liability company returns by the extended due date. The penalty is \$10 per partner or member for each month or part of the month the return is late. The maximum penalty is \$50 per partner or member. We impose the penalty from the original due date of the return. (R&TC Section 19172)

**Underpayment and Monthly Penalty** We impose a penalty if you do not pay the total amount due shown on your entity's return by the original due date. The penalty is 5 percent on the unpaid tax, plus 0.5 percent on the unpaid tax for each month or part of a month it remains unpaid. The maximum penalty is 25 percent of the unpaid tax. (R&TC Section 19132)

**Underpayment and Monthly Penalty – Limited Liability Company** We impose a penalty if you do not pay your limited liability company's:

- Annual tax by the 15th day of the fourth month of its taxable year.
- Fee or nonconsenting nonresident members' tax by the 15th day of the fourth month after the end of its taxable year.

The penalty is 5 percent on the unpaid tax or fee, plus 0.5 percent on the unpaid tax or fee for each month or part of a month it remains unpaid. The maximum penalty is 25 percent of the unpaid tax or fee. (R&TC Section 19132)

#### **Filing Fee**

If we require your organization to file Form 199, you must pay a fee. The amount depends upon when you file and when you make the payment. (R&TC Section 23772)

- **The fee is \$10 if:**

You file and pay by the original due date, or  
You file and pay after the original, but on or before, the extended due date.

- **The fee is \$25 if:**

You file by the original due date but pay after that date, or  
You file and pay after the extended due date.

**Exception:** The filing fee does not apply to the following organizations exempt under R&TC Section 23701d:

- An exclusively religious organization.
- An organization that is controlled by a religious organization.
- A school.
- A public charity.

**Post-Amnesty Penalty** We impose a penalty when your entity owes new or additional tax on a tax year that qualified for tax amnesty. The penalty is equal to 50 percent of the interest that accrued on the tax assessment from the original due date of the tax to March 31, 2005. You cannot protest this penalty. You can file a claim for refund of this penalty only on the grounds that the amount of the penalty was not properly computed by the Franchise Tax Board. (R&TC Section 19777.5(a)(2))

#### **Electronic Funds Transfer Requirement**

Once a corporation 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 or after January 1, 1995, it must make all future payments, regardless of the taxable year or amount, through an electronic funds transfer. Payments made by other means will result in a penalty of 10 percent of the amount paid. For more information regarding this requirement, see our *Electronics Funds Transfer Information Guide* (FTB Pub. 3817), access our Website at [www.ftb.ca.gov](http://www.ftb.ca.gov), or call us at (800) 852-2753. (R&TC Section 19011)

**Dishonored Payment Penalty** We impose a penalty if your entity's financial institution does not honor a payment you make to us by check, money order, or electronic funds transfer. For a payment of \$750 or more, the penalty is 2 percent of the payment amount. For a payment less than \$750, the penalty is \$15 or the payment amount; whichever is less. (R&TC Section 19134)

**Cost Recovery Fee** We charge you cost recovery fees if we must take collection action to resolve your filing and payment delinquencies. Cost recovery fees may include a filing enforcement fee, a collection fee, a lien fee, and fees to cover the cost of seizing and selling property. (R&TC Sections 19254, 19209, 19233, and 19234)

**40 Percent Accuracy Penalty** For tax years that were eligible for tax amnesty, we may impose an accuracy-related penalty if you understated your entity's liability. The penalty is equal to 40 percent of the related underpayment. (R&TC Section 19164)

**Other Penalties/Fees** For more information about penalties and fees refer to R&TC Part 10.2, Division 2, Chapter 4, Article 7.