



FIONA MA, CPA

Chairwoman, California State Board of Equalization
District 2

Message from Chairwoman Ma:

August is here, and it's the last month of the Legislative Session—do or die time for the bills we've been supporting this year. Assemblymember Christina Garcia's bill to remove sales tax from tampons and other feminine personal care products has one more committee to go before a full vote by the Senate. Tweet or post on your Facebook page using hashtags #AB1561 and #tampons tax to show your support and help send this important bill to the Governor's desk.

Summer heat making your wallet sweat? Check out my feature inside on Deductibility of Costs for Energy Savings Projects. Upgrading your system might not only get you some relief from the heat, it can help your bottom line as well. Those tips, along with Dear Kathryn and advice on FTB matters can be found inside.

Finally, don't forget that August 17th is National Thrift Shop Day. Many thrift shops are run by churches, veterans groups, and other nonprofits in support of charities—and of course, have some truly amazing vintage apparel and furniture, so you can be stylish and charitable all at once. The Board of Equalization has specialized publications for all kinds of business operations, including this publication for nonprofit organizations (www.boe.ca.gov/pdf/pub18.pdf).

As always, if I can be of service, please feel free to call me and members of my team at (415) 557-3000 or email me at fiona.ma@boe.ca.gov. We look forward to hearing from you.

In Peace and Friendship,

A handwritten signature in black ink, appearing to be 'Fiona Ma'.

Fiona Ma, CPA

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Do Not Ignore a Request or Demand for Tax Return

If you or your business receives a Request or Demand for Tax Return from the Franchise Tax Board (FTB), do not ignore it. The FTB issues a Request or Demand when the taxpayer may have a filing requirement, but FTB does not have record that the taxpayer filed a tax return. If the Request or Demand is ignored, the FTB can issue a Notice of Proposed Assessment, which is based on estimated income.

There are a number of ways to reply to a Request or Demand. If you already filed a return, attach a copy of the return so FTB can update its records. If you do not need to file a return, it is important that you attach supporting documentation to support your position. Finally, file your return if you have not yet done it so you can claim all of your deductions. The easiest way to reply to a Request or Demand is by going online to www.ftb.ca.gov/inc and following the instructions. If you aren't sure your letter is legitimate, or if you have questions and need help completing the process, you can contact the FTB at 1 (800) 852-5711.

Employer Requirements: Report of New Employees

Under California law, employers are required to report specific information periodically. Employer requirements are not limited to what is listed on this page. Detailed information about employer requirements is available in the California Employer's Guide (DE 44) http://www.edd.ca.gov/pdf_pub_ctr/de44.pdf. In addition to the more traditional method of filing or submitting paper forms and payments by mail, the Employment Development Department offer several electronic filing and payment options through our e-Services for Business (<https://eddservices.edd.ca.gov/index.html>). We offer no-fee seminars to assist employers in complying with California's payroll tax laws.

All California employers must report all their new or rehired employees who work in California to the New Employee Registry within twenty (20) days of their start-of-work date. The start-of-work date is the first day services were performed for wages. Employers who file electronically must submit two files each month.

The following information must be reported; employee's full name, social security number, address, and start-of-work date.

How to Report - You may use any of the following to report new employee information:

- Submit a Report of New Employee(s) (DE 34) electronically with e-Services for Business (<https://eddservices.edd.ca.gov/index.html>); or
- Submit a paper DE 34. A fill-in DE 34 can be downloaded (http://www.edd.ca.gov/pdf_pub_ctr/de34.pdf); or
- Submit a copy of the employee's W-4 form, but you must add the employee's start-of-work date, your California employer account number and Federal employer identification number (FEIN) to the W-4;
- You may create your own form with the required information.



To report new employees, mail or fax information to:

Employment Development Department
 PO Box 997016 MIC 23
 West Sacramento CA 95799-7016
 Fax: 916-319-4400

Fuel Consumption Facts

Did you know that keeping a full tank keeps your car healthy? Experts that are familiar with the common fuel injection system will tell you that running out of gas can cause serious fuel line problems - and that running low can be detrimental, too. Running out of gas in a fuel injected car can allow small particles of dirt and rust that are concentrated at the bottom of the gas tank, and when the fuel pump sucks them up, some of that dirt can work its way past the fuel filter, into the injectors. A clean fuel filter and new filtration technologies can help to minimize the dangers of running consistently low on gas.

Click here (<http://www.gasbuddy.com/>) to find out where the cheapest gas stations are in your neighborhood to keep your fuel tank full and healthy!

Deductibility of Costs for Energy Saving Projects Where Payments are Made



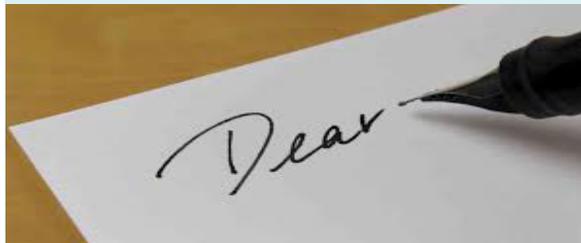
We have become aware of taxpayer concerns regarding whether energy-saving projects paid through one's property tax bill qualify as deductible real estate taxes. These energy-saving projects include solar panels, air conditioning, roofing, windows, lighting controls, and landscape-related products. Often these projects are financed through the property assessed clean energy (PACE) program.

California conforms to federal law regarding real estate tax deductions. On May 25, 2016, the Internal Revenue Service issued "Topic 503 - Deductible Taxes" (<https://www.irs.gov/taxtopics/tc503.html>) which provides specific guidance on this issue, including the following:

There are popular loan programs that finance energy saving improvements through government-approved programs. You sign up for a home energy system loan and use the proceeds to make energy improvements to your home. In some programs, the loan is secured by a lien on your home and appears as a special assessment on your real estate property tax bill over the period of the loan. The payments on these loans may appear to be deductible real estate taxes; however, they are not deductible real estate taxes. Assessments associated with a specific improvement benefitting one home are not deductible. However, the interest portion of your payment may be deductible as home mortgage interest. Refer to Publication 936, Home Mortgage Interest Deduction (<https://www.irs.gov/pub/irs-pdf/p936.pdf>), to see whether you might qualify for a home mortgage interest expense deduction.

Therefore, under the above federal guidance, which appears consistent with federal guidance issued in 2013 (see Chief Counsel Advice 201310029), neither the principal nor interest amounts paid on a taxpayer's property tax bill for energy saving projects are deductible real estate taxes. However, taxpayers may be able to deduct some or all of the interest as a home mortgage interest deduction.

For more information, please visit the FTB website at <https://www.ftb.ca.gov/professionals/taxnews/Editions/July-2016.shtml>.

DEAR KATHRYN.....**DEAR KATHRYN:**

I received a notice from the BOE stating that my permit was closed out because I did not make any sales last year. I did not operate last year due to personal reasons, but I plan on resuming my business activities and will be making sales this year. How can I reopen my permit?

- MARCY

DEAR MARCY:

Annually, a computer review is made identifying sales and use tax accounts reporting no sales for the prior calendar year. These account holders are sent an advisory letter, informing them that their permit will be cancelled if they do not respond and establish to the BOE's satisfaction that their permit should remain active. Failure to respond to this letter will result in closure of the taxpayer's permit.

If your permit was closed out, but you anticipate future sales, please contact your local District Office and request that your permit be reopened. You may be asked to provide documentation showing that you are actively engaged in business. For a list of District Office locations and phone numbers, please visit <http://www.boe.ca.gov/info/phone.htm>.

- KATHRYN

Do you have general sales and use tax questions? If you have a question, please send it to Fiona.Ma@boe.ca.gov with the subject title "Dear Kathryn."

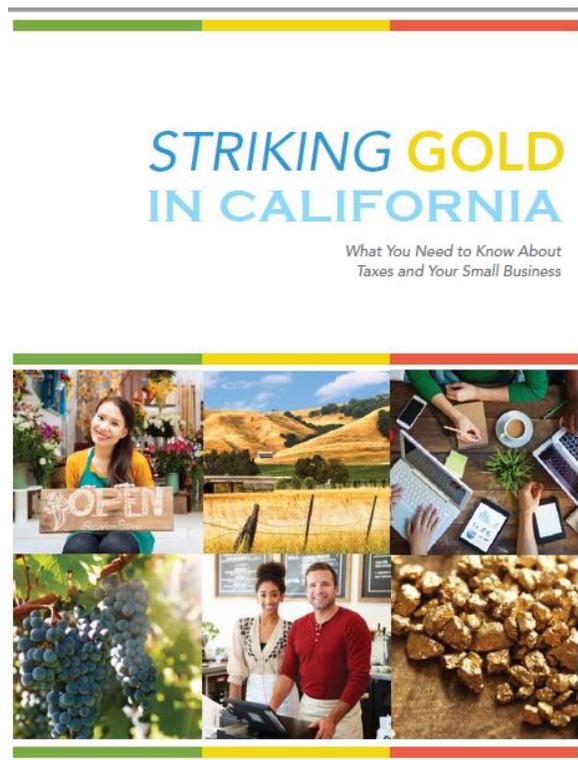
Striking Gold in California Publication Now Available



The California tax agencies (BOE, EDD, and FTB) and the IRS revised the Striking Gold in California, What You Need to Know About Taxes and Your Small Business (<http://www.boe.ca.gov/pdf/pub170.pdf>) publication. This is a great publication that you can use if you are thinking about starting a small business.

Every year in California, thousands of new small businesses start up. Understanding your tax obligations as a small business owner can help your business successfully navigate through California's complex system. Striking Gold in California is a publication that describes each tax agency's role, provides appropriate resources within each agency, and gives easy-to-use information on income, sales and use, and employment taxes.

In addition, the Index of Topics section identifies many free publications produced by the tax agencies that may be helpful to small business owners. Most forms and publications are available online at <https://www.boe.ca.gov/formspubs/pubs.htm> or by telephone at 1-800-400-7115.



Sales Tax May Apply on Delivery Charges

Did you know that California sales tax may apply to charges for delivery, shipping, and handling? Regulation 1628 provides, in part, that in the case of a sale, whether by lease or otherwise, tax does not apply to “separately stated” charges for transportation of property from the retailer’s place of business or other point from which shipment is made “directly to the purchaser,” provided the transportation is by other than facilities of the retailer (i.e., by United States mail, independent contract, or common carrier such as UPS, FedEx, etc.). Transportation charges will be regarded as “separately stated” only if they are separately set forth in the contract for sale or in a document reflecting that contract, issued contemporaneously with the sale, such as a retailer’s invoice.

Use this quick reference guide to help you apply tax properly in your business with respect to charges for delivery, shipping, and handling: <https://www.boe.ca.gov/formspubs/pub100>

Additionally, it is important that you keep accurate records that fully document your shipping costs. Acceptable forms of documentation include: bills of lading, freight invoices, parcel post receipts or shipment records, sales invoices showing transportation charges and shipping instructions, delivery receipts and expense vouchers supporting your delivery expense, and title transfer agreements. Please note: If you do not keep records showing the actual cost of an individual delivery, tax applies to your entire delivery charge if it is made in connection with a taxable sale. For more information on record keeping, watch our informative video at https://youtu.be/UGg7g_bUO9M

Take care when you complete your sales and use tax return

You must report your total sales for the reporting period on your sales and use tax return. If your total sales include nontaxable delivery charges, you should take a deduction for those amounts on the line for “Other” deductions. If you don’t take the deduction, you’ll pay more tax than you owe.

SCOP Radar: Find Out When A SCOP Team Will Visit You



The Statewide Compliance and Outreach Program (SCOP) educates business operators about their tax and fee obligations by visiting non-residential business in various zip codes. If you already have a seller’s permit with the BOE, a letter will be sent to your business address notifying you of our upcoming visit to your area. However, if you are not registered with the BOE, you may not directly receive a notice or letter, since the BOE has no address on record for your business. The BOE will work with local municipalities and other partners to publicize our visits to businesses and increase awareness of our plan to conduct visits in your area.

Visits to your area may begin as early as two weeks from the date of the letter; however, visits may be delayed several weeks depending on the length of visits to businesses in other zip codes. The SCOP specialists generally remain in the area until all business locations within the zip code have been visited. Our SCOP teams are scheduled to visit certain zip codes in the near future. Visit www.boe.ca.gov/SCOP to look up your county name and zipcode.

Voluntary Disclosure Program

If you are a retailer based outside California, you are required to pay California use tax on all sales of merchandise to California customers if you are “engaged in business” in the state. To determine if you are engaged in business in California, please refer to Publication 77, Out-of-State Seller: Do You Need to Register with California?” available on the BOE’s website at <https://www.boe.ca.gov/formspubs/pub77/index.html>.

If you operate an out-of-state business that is engaged in business in California, but have not registered with the BOE and have a reporting obligation, the Out-of-State Voluntary Disclosure Program is available for the purpose of reporting past due use tax. This program provides the following benefits for participants:

- Limits the time the BOE can make an assessment for use tax to the prior three years. Without this program, the applicable statutory period may be extended to eight years.
- Allows the BOE to waive late filing and late payment penalties.
- Allows applicants to anonymously describe their circumstances and obtain from the BOE a written opinion regarding whether the BOE might approve their voluntary disclosure request. To qualify for the Out-of-State Voluntary Disclosure Program, you must meet the following conditions:
- You are located outside California and have not previously registered with the BOE as an entity engaged in business in California.
- You have not been previously contacted by the BOE regarding your activities in California;
- Your failure to pay the tax or file a return was due to reasonable cause and not as a result of negligence or intentional disregard of the law; and
- You register voluntarily with the BOE.

To anonymously request an opinion as to whether or not the BOE would approve your voluntary disclosure request or to discuss your eligibility for consideration under the Voluntary Disclosure Program, please contact the Voluntary Disclosure Specialist at the following address:

Board of Equalization
Voluntary Disclosure Program
PO Box 942879 (MIC:44)
Sacramento, CA 94279-0044
(916) 324-2883 (phone)/ (916) 322-0187 (fax)
voluntary.disclosure@boe.ca.gov (e-mail)

For more information, please refer to Publication 178, Voluntary Disclosure Program, available on the BOE’s website at <https://www.boe.ca.gov/formspubs/pub178/>.



Report of Independent Contractor(s) (DE 542)

Any business or government entity that is required to file a federal Form 1099-MISC (<https://www.irs.gov/pub/irs-pdf/f1099misc.pdf>) for services received from an independent contractor is required to report specific independent contractor information to EDD. This information will be used to locate parents who are delinquent in their child support obligations.

How to Report:

You may use any of the following to report independent contractor information:

- Submit a Report of Independent Contractor(s) (DE 542) electronically with e-Services for Business (<https://eddservices.edd.ca.gov/index.html>); or
- Submit a paper DE 542. A fill-in DE 542 (http://www.edd.ca.gov/pdf_pub_ctr/de542.pdf); or
- You may create your own form with the required information.

To report independent contractors, mail or fax information to:

Employment Development Department
PO Box 997350, MIC 99
Sacramento CA 95899-7350
Fax: 916-319-4410

The independent contractor reporting requirements apply if you hire an independent contractor and the following statements all apply:

- You are required to file a Form 1099-MISC for the services performed by the independent contractor.
- You pay the independent contractor \$600 or more OR enter into a contract for \$600 or more.
- The independent contractor is an individual or sole proprietorship.

If all the above statements apply, you must report the independent contractor to EDD within 20 days of paying/contracting for \$600 or more in services. You are not required to report independent contractors that are corporations, general partnerships, limited liability partnerships, and limited liability companies.

Report Phishing and Online Scams



The IRS doesn't initiate contact with taxpayers by email, text messages, or social media channels to request personal or financial information. This includes requests for PIN numbers, passwords, or similar access information for credit cards, banks, or other financial accounts.

What is phishing? Phishing is a scam typically carried out through unsolicited email and/or websites that pose as legitimate sites and lure unsuspecting victims to provide personal and financial information.

Report all unsolicited email claiming to be from the IRS or an IRS-related function to phishing@irs.gov. If you've experienced any monetary losses due to an IRS-related incident, please report it to the Treasury Inspector General Administration (TIGTA) (https://www.treasury.gov/tigta/contact_report_scam.shtml) and file a complaint with the Federal Trade Commission (FTC) through their Complaint Assistant (<https://www.ftccomplaintassistant.gov/Information?OrgCode=IRS#crnt&panel1-1>) to make the information available to investigators.

EXTRA! EXTRA! READ ALL ABOUT IT!

Chairwoman Updates:

Electric Cars Are More and More At Home in California

My Sacramento office overlooks a parking lot that recently resurfaced its top level. In addition to new pavement, the proprietors also installed several charging stations for electric vehicles. The owners of that garage are not alone.

Car charging stations are popping up all over California. Drive Solar—a joint venture with the charging station locator app company PlugShare and the solar panel installation company Sungevity—allows individuals to install charging stations in their home at the same time they install solar panels, making both options much cheaper. Virtually every major tourist attraction and event venue, from Disneyland to Levi Stadium, has charging stations for electric vehicles.



And that is exactly what I intended when I introduced AB 631 in 2012, during my last year in the Assembly. That bill, which was signed into law by Governor Brown, exempted electric charging stations for cars from getting approval by the Public Utilities Commission (PUC) if the station was only to be used for charging cars.

The Public Utilities Commission is an outgrowth of the old Railroad Commission, which was established during the Progressive Era, to ensure that Californians of that era were getting fair market rates for transporting themselves and the fruits of their labors to market. In the ensuing years, the PUC has grown to regulate virtually all of the utilities in California.

That's an important role, and it requires the PUC to be vigilant and thorough in approving the construction of, say, a new natural gas-fired power plant, or the pipelines that are used to move natural gas from storage to the power plant. But that same level of exhaustiveness makes it difficult to get smaller projects, like a car charging station, approved.

By taking the PUC out of the process, we helped remove one of the major roadblocks to keeping consumers from moving towards electric cars: the “range anxiety” they feel when they worry their car won't be able to make it to their destination on a full charge.



That is a very real concern in a state where commuters can sometimes travel as much as 50 or 100 miles to work every day. More charging stations means greater range for electric car owners, and every single charger doubles as a billboard for electric cars themselves.

In a typical month, anywhere from 3,000 to 6,000 electric cars are sold in the United States, and up to half of that total are purchased right here in California. Almost 185,000 electric cars cruise our roads and highways every day. Now, that's not because of one piece of legislation—it's part of a broader cultural trend towards sustainability.

But those trends are strengthened by legislation, like our efforts to pass AB 631 in 2012, or the efforts of Assemblymember David Chiu, to pass AB 1236 last year. That bill, which was also signed into law by Governor Brown, mandates that cities and counties develop an expedited permit process for electric car charging stations within their borders.

The lack of charging stations was one of the major roadblocks to consumers really embracing electric vehicles. We removed that roadblock, and that helped the market shift gears in fundamental ways.

As recently as a decade ago, consumers only had their choice of one or two truly electric (and very expensive) models on the market. But today's consumers have their choice of electric vehicle: stylish sports cars, outdoor friendly utility vehicles for family adventures, and sophisticated sedans for commuters.

And once Assemblymember Chiu's legislation is fully implemented, even more communities will be electric car-friendly.

This September, when we commemorate national Drive Electric Week (9/10-9/18), we will have a lot more to celebrate. California's electric car market is expanding faster than you can say "zero emissions vehicle," and the ongoing efforts in the legislature to expand public transit and encourage renewable energy shows why the world is looking to us for leadership.

Given California's history as a national trendsetter for new technologies, it's a safe bet that the whole country will be going from 0 to 60 on electric vehicles a lot sooner than anyone expects.

Retirement Announcement:

District Principal Auditor Mark Noack

Mark Noack is retiring in August after 39 years of state service. He began his career in 1977 as a Tax Auditor in the San Jose District Office. He promoted to Tax Auditor II in 1978, Tax Auditor III in 1981, Supervising Tax Auditor I in 1989, Supervising Tax Auditor II in 1997, and District Principal Auditor in 2010. He will conclude his career working out of the Oakland District Office. Congratulations Mark!



Happy Birthday D2 Employees

Aug 08 Elsy Cuestas

Aug 08 Jessica Gosse

Aug 10 Qianyu Guan

Aug 16 Rocio del Pilar

Aug 21 Abilene Posis

Aug 27 Amanda Narvaez-Albertoli



CalEITC - A Great Success!

California's Earned Income Tax Credit (CalEITC) has been a great success! As of July 9, the FTB issued 364,842 credits to California taxpayer which totaled \$189,839,590. San Bernardino, San Diego, Riverside, and Sacramento counties rounded at the top five in CalEITC credits. Bakersfield area code 93307 led all zip codes by receiving a total of \$1.1 million worth of CalEITC credit.

It's not too late to sign up for CalEITC! October 17th is the deadline to file if you have a refund or no balance due to the FTB. Tax returns can be dropped off at any FTB office in the State of California, find one at www.ftb.ca.gov. In addition, you can visit: www.caleitc4me.org for a list of free tax preparation sites.

Nonprofit: Street Level Health Project



Street Level Health Project (SLHP) is an Oakland-based grassroots non-profit organization dedicated to improving the health and well-being

of underserved urban immigrant communities in the Bay Area. SLHP has been a staunch advocate for and caregiver to underserved communities who do not have access to health care services. Their facility is an important entryway to healthcare and social service systems for the neglected populace, namely the uninsured, underinsured, and recently arrived. As part of their services, they provide free health screenings, temporary assistance for those in need of social support, mental health education workshops, and also various other programs in collaboration with other organizations to help the disenfranchised communities.

Founded in 2000, Street Level Health Project's wonderful evolution and growth is a testament to their commitment to tackle health disparities and to improve the quality of life for the underserved communities. SLPH co-founder Kathy Ahoy, a retired public health nurse, was recognized by Chairwoman Fiona Ma as one of her Women's First Awardees for her unwavering efforts to improve the health and well-being of the community. Kathy's passion and compassion to serve the most vulnerable people in our community stems from her own life history and background as a refugee and immigrant who came to the USA from India. To learn more about Street Level Health Project please visit their website at: <http://streetlevelhealth.org/>



MA Squad on the Road

With Street Level Project Founder
Kathy Ahoy and Executive
Director Jae Maldonado,



Celebrating with the Chinese American Youth Association with Assemblymember Kansen Chu and his wife Daisy Chu

At the Maritime Museum Opening of the La Janelle exhibit with Ventura County Supervisors John Zaragoza and Denny Pierce



Discussing Issues and Brainstorming New Initiatives with National Association of Women Business Owners, Orange County Chapter Small Business Owners

At the 18th Annual Awards Ceremony for Latina Leaders of Kern County Celebrating the Latina Leadership Institute Class of 2016



District Liaison Seth Doultton with the SCOP Team at the Hollister Motorcycle Rally

Honored to be invited to speak with Lindsey Horvath, West Hollywood City Council at the Women in Focus: Local and State Politics forum in Los Angeles



Upcoming Events:

Tehama Small Business Seminar

Wednesday, September 14, 2016, 9:00am-1:00pm
Red Bluff Community Center
1500 South Jackson Street, Red Bluff, CA 96080

San Francisco Small Business Seminar

Thursday, September 15, 2016, 9:30am-5:00pm
Cow Palace

<http://www.thesmallsbusinessexpo.com/san-francisco/>

Brentwood Small Business Seminar

October 19, 2016, 9:00am-12:30pm
Brentwood Community Center
35 Oak Street, Brentwood, CA 94513

Millbrae Veteran's Small Business Seminar

Wednesday, November 2, 2016, 9:00am to 1:00pm
David J. Chetcutti Community Room (next to
Millbrae Public Library)
450 Poplar Avenue, Millbrae, CA 94030

Register at: www.boe.ca.gov/ma/events or
call 1-888-847-9652

Newsletter Subscription

If you are interested in receiving a digital copy of my monthly newsletter straight to your inbox, please subscribe at this link:

<http://www.boe.ca.gov/ma/newsletters/>

Disclaimer: This material has been prepared for general informational purposes only and may not reflect the most current legal developments. These informational materials are not intended, and should not be taken, as legal advice and are subject to change without notice.

MaSquad Internship Recruitment

Established in 2006, the MaSquad internship program has mentored over 1,000 young volunteers throughout the Bay Area ranging in age from 13-32. Ms. Fiona Ma believes strongly in the need to nurture our next generation and expose them to public service and has happily accepted many interns in her Capitol and District Offices.

If you are interested in applying, please visit <http://bit.ly/MaSquadInternship> and submit the online application!

Thank You for Your Support

If you have a tax or fee problem, or have difficulty understanding the complex tax laws in California, my office can help provide you with assistance and resources. Email me directly at fiona.ma@boe.ca.gov or call my offices in Sacramento at (916) 445- 4081 or in San Francisco at (415) 557-3000.

In addition, if you want to view some of the Board decisions or watch us live at the monthly Board hearings, please access www.boe.ca.gov and choose the webcast option under Board Hearings.

Representing the interests of taxpayers in a district of more than nine million Californians in 23 counties, I will ensure that the agency treats all taxpayers with respect and dignity. As your SBOE representative, I will continue to ensure that taxpayers are being heard in Sacramento. It is truly an honor to serve you.

Connect with Chairwoman Ma



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www.linkedin.com/in/fionamacpa



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