

B1

April 24, 2013

James Hannon and Sandra Riddle
613264

Chapter 23 Interest and Penalties

STATUTE OF LIMITATIONS

The California statute of limitations operates like the federal statutes in that the expiration date is based on the last date open on any of the expiration dates in effect for a given year or assessment. It provides a list of expiration dates for tax deficiency assessments and for filing claims for refunds. The limitation periods for assessments are often based on the filing of a return. The term *return* is specifically defined to mean the return required to be filed by the taxpayer and does not include a return of any person from whom the taxpayer has received an item of income, gain, loss, deduction or credit.

Normal—Tax Deficiency

Four years from the date return was filed or four years after the due date (including extensions), whichever is later. May be extended 60 days on receipt of document showing taxpayer owes additional amount.

Normal—Claim for Refund

Four years from the later of the date the return was filed (including extensions), due date (without extensions) or one year from the date of payment.

Omission of 25% of Gross Income

Six years from due date or the date return was filed, whichever is later.

Federal Change Reported—Tax Deficiency

Two years after notification by the taxpayer or amended return filed with California (applies for federal adjustments but no other changes).

Federal Change *Not* Reported By Taxpayer Within Six Months

At any time, statute of limitations becomes suspended.

Federal Change Reported By Taxpayer, or Amended California Return Filed, but After Six-Month Period for Timely Reporting Had Expired

Four years from the final determination by the Internal Revenue Service, or from date amended return filed (applies only to federal changes).

Fraud or No Return Filed

No limitation.

PENALTIES

Penalty for Failure to File Return on Time

The penalty for failure to file a return by the original or the extended due date is 5% of the unpaid tax shown on the return for each month or fraction of a month from the due date (without regard to any extension of time for filing) to the date on which the return was filed, but not in excess of 25% of the tax. In case of failure to file a return within 60 days of the due date, determined with regard to extensions, the penalty is not less than the

STATE BOARD OF EQUALIZATION

Appeal Name: James Hannon and Sandra Riddle
Case ID: 613264 ITEM # B1
Date: April 24 2013 Exhibit No: 4.1

FTB DEPT PUBLIC COMMENT

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