



MULTISTATE INCOME/FRANCHISE TAX

California's indefinite extension of electronic notification provision for taxpayer communications

Tax Alert

Overview

On July 15, 2024, California enacted [Assembly Bill 3287](#) ("A.B. 3287") into law, which extends indefinitely the California Franchise Tax Board's ("FTB") authorization to implement an alternative electronic communication method for notifying taxpayers. Previously scheduled to sunset on January 1, 2025, this amendment to California Revenue and Taxation Code section 18416.5 now allows the FTB to permanently offer electronic notifications as a preferred communication method designated by the taxpayer. Under this provision, taxpayers can receive electronic notifications that alert them to view notices, statements, bills, or other FTB communications in a secure folder on the FTB's website. The new law also allows taxpayers or their authorized representatives to electronically file responses, protests, and other correspondence in a secure manner.

Background

A.B. 3287 amends section 18416.5, making the FTB's electronic communication system a permanent feature. As stated in the bill, "[t]he Franchise Tax Board may, by regulation, implement an alternative communication method" through which the FTB can notify the taxpayer or their authorized representative "in a preferred electronic communication method designated by the taxpayer that a notice, statement, bill, or other communication...is available for viewing in the taxpayer's limited access secure folder on the Franchise Tax Board's internet website."

Additionally, the statute mandates that any electronic notification provided under this provision must include a plain language advisory, cautioning taxpayers that "a failure to act may cause the taxpayer to forego procedural or administrative rights to challenge the proposed action." Notably, the law provides that "any notice, statement, bill, protest, and other communication...shall be treated as if it were mailed by United States mail,

postage prepaid,” thus ensuring electronic communications carry the same legal standing as traditional postal mail.

Considerations

Taxpayers and their representatives may benefit from opting into this alternative communication method, which allows for quicker, more direct exchanges with the FTB and secure management of tax-related notifications and filings. However, taxpayers should remain aware of the potential procedural consequences, as failing to respond promptly to electronic notifications could lead to forfeited rights to dispute or challenge actions by the FTB. Should clients opt into this alternative communication method, tax advisors who are authorized representatives must exercise diligence in maintaining up-to-date passwords and timely checking for and reviewing FTB communications on their clients' limited access secure folders on the FTB's internet website. Tax advisors and their clients should assess the advantages of using electronic notifications under section 18416.5, particularly given this indefinite extension, and consider designating a secure electronic communication method that aligns with their preferred approach to handling sensitive tax matters.

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