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March 31, 2020

Re: California's Reaction to COVID-19

Dear Clients and Friends,

State and local tax revenue departments are responding to COVID-19 with various types of relief. The California income and local taxes are discussed below.

FRANCHISE TAX BOARD

The FTB has announced updated tax relief for all California taxpayers due to COVID-19. With the updated relief, the FTB is postponing until July 15, 2020, the filing and payment deadlines for all individuals and business entities for the following: (1) 2019 tax returns; (2) 2019 tax return payments; (3) 2020 first and second quarter estimate payments; (4) 2020 LLC taxes and fees; and (5) 2020 non-wage withholding payments. To give taxpayers a deadline consistent with that of the Internal Revenue Service (IRS) without the Federal dollar limitations, the FTB is following the Federal relief described in Notice 2020-17. The FTB is providing its updated relief to all California taxpayers, not just to those affected by COVID-19. Taxpayers do not need to claim any special treatment or call the FTB to qualify for this relief. Also, in connection with the updated relief, the FTB has posted on its website a spreadsheet of the COVID-19 - Extensions to file and pay - 2019 Taxable year:

<https://www.ftb.ca.gov/about-ftb/newsroom/covid-19/extensions-to-file-pay.html#Calendar-year-filers>

EMPLOYMENT DEVELOPMENT DEPARTMENT

The California Employment Development Department (EDD) has announced that employers statewide directly affected by COVID-19 may request up to a 60-day extension of time from the EDD to file their state payroll reports and/or deposit payroll taxes without penalty or interest. A written request for an extension must be received within 60 days from the original delinquent date of the payment or return.

https://www.edd.ca.gov/payroll_taxes/emergency_and_disaster_assistance_for_employers.htm

CALIFORNIA DEPARTMENT OF TAX AND FEE ADMINISTRATION

Governor Gavin Newsom issued on March 12, 2020, an executive order regarding California's response to the COVID-19 pandemic. The executive order, which is effective immediately, orders, among other things, that: (1) to quickly provide relief

from penalties and interest, the provisions of the Revenue and Taxation Code that apply to the taxes and fees administered by the California Department of Tax and Fee Administration (CDTFA), requiring the filing of a statement under penalty of perjury setting forth the facts for a claim for relief, are suspended for a period of 60 days after the date of the order for any individuals or businesses who are unable to file a timely return or make a timely payment as a result of complying with state or local public health officials imposition or recommendation of social distancing measures related to COVID-19; and (2) the Franchise Tax Board (FTB), the State Board of Equalization (SBE), the CDTFA, and the Office of Tax Appeals (OTA) shall use their administrative powers where appropriate to provide those individuals and businesses impacted by complying with a state or local public health official's imposition or recommendation of social distancing measures related to COVID-19 with the extensions for filing, payment, audits, billing, notices, assessments, claims for refund, and relief from subsequent penalties and interest.

During the 60-day window specified in Governor Newsom's executive order on the COVID-19 pandemic, the CDTFA has posted on its website an alert in which it advises that it has been able to make it easier for such taxpayers and fee payers to request relief from the imposition of interest and penalties. They can go through the CDTFA's normal online process for requesting relief, they can send a letter (a link to the CDTFA's office locations and addresses is provided), or they can call the CDTFA's call center at 1 (800) 400-7115.

<https://www.cdtfa.ca.gov/services/covid19.htm>

PROPERTY TAXES - SAN DIEGO AND LOS ANGELES COUNTIES

The San Diego County Treasurer-Tax Collector's Office sent a letter to Governor Newsome to ask that he expand property tax penalty cancellation criteria to include economic hardship caused by the coronavirus. Under current state law, the County Treasurer and Tax Collectors cannot grant penalty cancellations due to economic hardship. Many taxpayers have asked if they can postpone the April 10th tax deadline. However, state law governs when property taxes are due and payable. As of the date of this newsletter, the second installment of property taxes is still due no later than April 10, 2020.

For those who are directly impacted by the coronavirus and are unable to pay on time, they can file a penalty cancellation request. All such requests will be reviewed on a case-by-case basis after April 10th. This will require documentation of how the taxpayer was impacted by the virus that interfered with their ability to deliver the payment by April 10 (e.g. hospitalization). Requests will be approved as allowed by law.

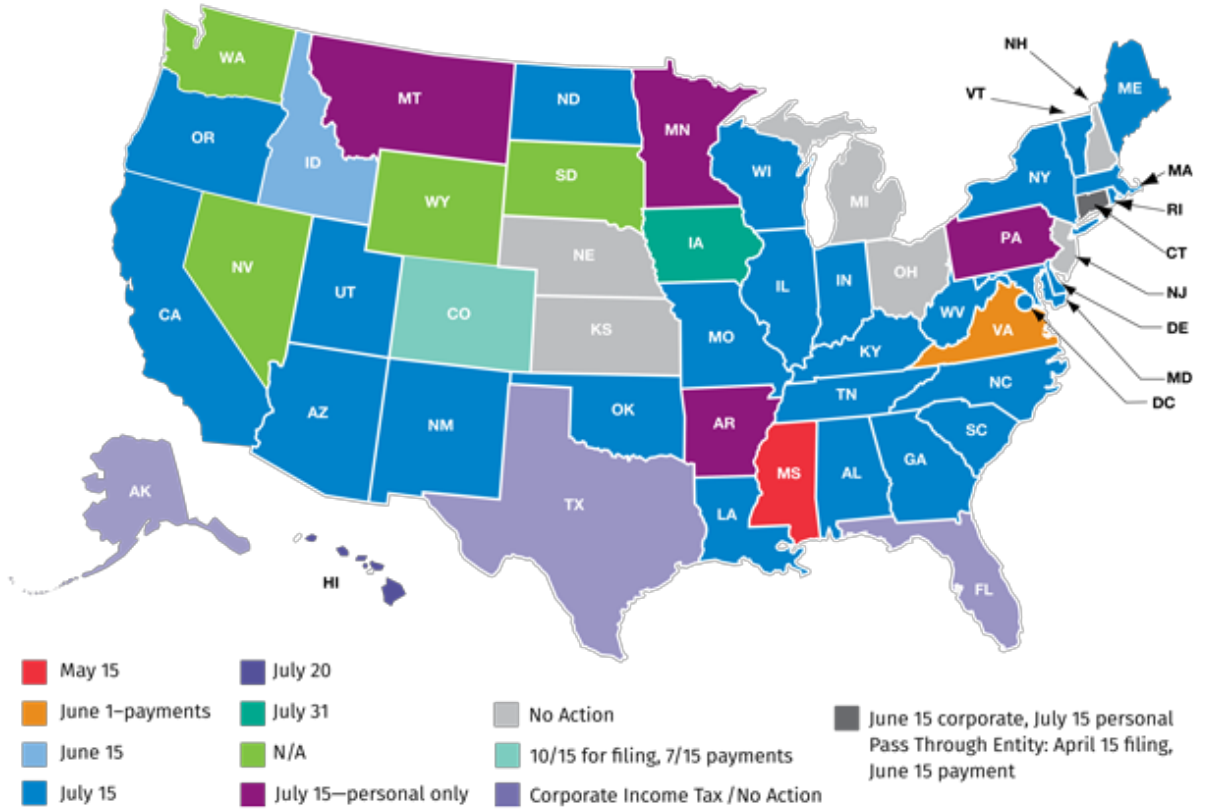
The above also applies to the filing of Forms 571-L, which have a final due date of May 7th.

OTHER STATE RESPONSES

Many states have chosen to follow the Federal income tax filing extension. In addition, as mentioned above for California, many states have extended due dates for other taxes and provided penalty relief. Below is a chart of all state income tax filing deadline changes:



COVID-19 Pandemic State Income Tax Filing Deadline Changes



Please contact us if you have any questions about the California income and local tax matters, as it relates to the COVID-19 pandemic.

Sincerely,

DUFFY KRUSPODIN, LLP