



Date: August 8, 2019  
To: Members, Assembly Appropriations Committee  
From: Therese Twomey, CalTax Director of State Tax Affairs  
Subject: **SUPPORT for SB 790 (Committee on Governance and Finance), as amended on June 20, 2019**

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The listed organizations support SB 790, a technical cleanup measure to last year's bipartisan and unanimously approved SB 274 (Ch. 729, St. 2018), related to California reporting and payment requirements in the case of an imputed underpayment from federal partnership audit adjustments. The proposed clarifying changes will facilitate tax administration for the Franchise Tax Board (FTB), and ease reporting compliance for taxpayers.

In 2015, the federal government changed the way adjustments from audits of partnerships are assessed by the IRS, requiring any increased liability to be paid by the partnership unless it elects to have its individual partners pay. These new partnership audit procedures were mandatory beginning with the 2018 taxable year.

To implement the federal changes, last year's SB 274 authorized the FTB to collect from partnerships or their individual partners any increased state tax liability resulting from federal audits of partnerships, allowed a partnership state-only election, and provided a process and a timeline for taxpayers to report and remit to the FTB their share of California taxes.

SB 790 clarifies the reporting and payment procedure for electing and non-electing partnerships. This proposal is the product of a collaborative effort undertaken by the FTB, CalTax and several national organizations<sup>1</sup>, with the goal of implementing a California tax reporting and payment structure that mitigates workload for both the FTB and taxpayers, and reduces administrative complexities and cost for taxpayers on a multistate issue.

For these and other reasons, we and the signatories below support this measure.

Sincerely,

California Taxpayers Association  
Council on State Taxation

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<sup>1</sup> Council On State Taxation; Institute for Professionals in Taxation; American Institute of CPAs; Tax Executives Institute; American Bar Association – State and Local Tax Committee; Master Limited Partnership Association

Orange County Taxpayers Association  
Master Limited Partnership Association  
National Federation of Independent Business  
San Gabriel Valley Economic Partnership

cc: Colin Grinnell, Staff Director, Senate Governance and Finance Committee

*The California Taxpayers Association is a nonpartisan, nonprofit association formed to support good tax policy, oppose unnecessary taxes and promote government efficiency. Established in 1926, CalTax is the oldest and largest group representing California taxpayers.*

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