



# California Audit Update

## **Joziel Brunett**

Chief Counsel, Franchise Tax Board

## **Don Griswold**

Partner, Crowell & Moring

## **Jeremy Abrams**

Counsel, Crowell & Moring

# Agenda

- The *Gillette* Saga Continues
- Audit Update: Audit & Claim Roundtables
- Settlement and Closing Agreements





# ***The Gillette Saga Continues***



## ***The Gillette Company, et. al. v. California Franchise Tax Board***


Back in 2012 ...

- California withdrew from the Multistate Tax Compact
- Court of Appeals held that taxpayers were entitled to elect the Compact's evenly weighted 3-factor formula instead of statutory 3-factor formula with double weighted sales
  - Contract and Compact Clauses of the United States Constitution

# Oral Arguments: California Supreme Court, Oct. 6, 2015

- Highlights
- Takeaways
- Predictions
- Next Steps





# **Audit Update: FTB Outreach to Large Corporate Taxpayers**

# Audit & Claim Roundtables

## Scope:

- Audit/Claims for Refund Timeliness
- Audit Accuracy

## Objective:

- Share Info Regarding Audit & Claims Timelines
- Understand Taxpayers' & Representatives' Experiences
- Gather Ideas to Overcome Challenges & Obstacles



## Feedback Gathered

- Better Communication during Audit/Claims
- Transparent Collaboration with FTB staff
- Timely Claims for Refund







## Next Steps

### Short-Term

- Improved communication with taxpayers & representatives.
- Better notification of status of Claims for Refund.
- Faster refunding of Claims for Refund.

### Long-Term

- Improved timeliness of audits/claims based on taxpayers' needs.
- Increased transparency & collaboration with taxpayers during audits/claims.
- Improved notification & tracking of Claims.



## Roundtable Actions

- Better access to Supervisor/Managers
- Expanded Audit/Legal/SME collaboration
- Claim process and referral criteria refined
- Pilot session with Representatives
- Developing after-audit survey
- Roundtable updates in *Tax News*



# Settlements

- Settlements governed by Revenue and Taxation Code §19442
- Compromise based upon costs and risks of litigation
- All issues settled and the year is closed
- Ability to pay not considered
- Available at Protest, Claim, or Appeal



## Settlements

- Settled over 3,000 cases involving over \$13 billion in dispute
- Settle approximately 185 cases annually, about 75% of cases worked, involving on average \$650 million in dispute



# Closing Agreements

- Closing Agreements governed by §19441
- Written resolution of one or more issues based upon merits
- Similar to a contract resolving issues, liability, or claims based on merits
- Available at Audit, Protest, Claim or Appeal



## Q & A

# Thank You

**Jozel Brunett**

Chief Counsel

Franchise Tax Board

(916) 845-6467

[Jozel.Brunett@ftb.ca.gov](mailto:Jozel.Brunett@ftb.ca.gov)

**Don Griswold**

Partner

Crowell & Moring

(202) 624-2730

[dgriswold@crowell.com](mailto:dgriswold@crowell.com)

**Jeremy Abrams**

Counsel

Crowell & Moring

(202) 624-2926

[jabrams@crowell.com](mailto:jabrams@crowell.com)