# Improving Procedures for Taxpayers
# to
# Report Federal Adjustments


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## EXECUTIVE SUMMARY

A taxpayer that has been subject to a federal audit that resulted in a change to federal taxable income is generally required to report that change to the states in which the taxpayer files state income tax returns. This requirement is no different in California. And, while California has recently taken the opportunity to address certain changes to the federal partnership audit procedures with S.B. 274, California's general reporting requirements for other taxpayers (*e.g.*, corporations and individuals) continue to include a flawed definition of "final determination" because it forces some taxpayers to file serial or multiple reports. Instead of requiring a taxpayer to file just one federal change report when an audit for a taxpayer's tax year is finalized, California's law requires a taxpayer to notify the Franchise Tax Board ("FTB") every time the Internal Revenue Service ("IRS") posts a change to the taxpayer's account. It is not unusual for multiple adjustments to be posted during an audit of a multijurisdictional taxpayer, and such taxpayer is legally required to report each change separately to the FTB and, in turn, the FTB is required to separately administer each of those reported changes. This requirement to report each change separately is burdensome and inefficient—especially for a multijurisdictional taxpayer—and results in additional time and expenses for the taxpayer, as well as the FTB.

Considering the burdensome nature of this serial reporting requirement, we encourage California to amend its definition of "final determination" to eliminate the requirement that a taxpayer report each time the IRS has posted to the taxpayer's account and to move towards a definition that requires a taxpayer to report only after all issues have been settled at the federal level.

With this underlying premise in mind, this paper presents the following information:

- Section I explains the general process for reporting federal audit adjustments;
- Section II explains the 2003 Multistate Tax Commission's ("MTC") model for the reporting of federal audit adjustments and updates that are pending before the MTC Executive Committee;
- Section III explains California's law for reporting federal audit adjustments and why California's law results in serial reporting; and
- Section IV advocates for California to change the definition of "final determination" to alleviate the issue of serial reporting.

## DISCUSSION[1]

## I. GENERAL OVERVIEW OF REPORTING PROCESS

States[2] that impose an income tax on businesses and/or individuals, either directly or indirectly, generally use income taxable under the Internal Revenue Code ("IRC") as a starting point. This connection enables taxpayers to more easily and accurately complete their state tax returns and, at the same time, makes a state's administration of its income taxes more efficient. In addition, a state revenue agency can use information from the Internal Revenue Service ("IRS") to not only determine whether a taxpayer should be filing a return, but also to confirm whether a taxpayer reported IRS audit adjustments to the state's revenue agency. This section focuses on the process a taxpayer is required to use to report federal changes to the states where those changes also have an impact on the taxpayer's state income tax liability (refund or additional tax due). The general process is covered in three areas: 1) what event constitutes a reporting requirement (*i.e.,* a "final determination" of tax for a certain period); 2) when the adjustment should be reported; and 3) how the adjustment should be reported (*e.g.*, spreadsheet, amended return, etc.). Each of these areas are addressed in more detail in this section to provide context; however, the remainder of the paper (*i.e.*, Sections II through IV) will focus solely on the issue of "final determination."

### A. **What Constitutes a Final Determination**

A taxpayer is generally required to report a change in income reported to the IRS to the states in which it files income tax returns. If a taxpayer's federal income is changed because the taxpayer filed an amended federal return, a taxpayer is also generally required to file an amended state income tax return within a certain time period, beginning on the date the taxpayer filed its amended federal return. In contrast, if the IRS has conducted an audit, a taxpayer's reporting period is generally triggered by some IRS action or a judicial decision from an appeal of the tax. This is commonly referred to as a "final determination," and the changes made

[1] Many thanks to Pilar Mata (TEI) and John Paek (Baker & McKenzie), who were the primary reviewers of this paper, and to Therese Twomey (CalTax), who provided additional insight and recommendations.

[2] Some states, such as Indiana, Ohio, and Pennsylvania, also have local income taxes. The use of the term "state" also applies to all local income-based taxes.

by the IRS on audit are often generically referred to as "RAR adjustments," because they come from the Revenue Agents Report.[3]

As noted above, in general, most states require an RAR adjustment to be reported where there has been a final determination; however, state law is often unclear as to what exactly constitutes a final determination.[4] Although about half of the states that impose an income tax have a statute that defines "final determination," those states are not utilizing a uniform definition for that term.[5] Further, a significant number of states that require an RAR adjustment to be reported do not include any definition.[6]

In addition, of those states that define "final determination," some, including California, define it in a way that requires multiple or "serial reporting" of different RAR adjustments rather than allowing a taxpayer to file a single report after the IRS has made all adjustments for a particular tax year—after all appeals from that audit are exhausted.[7] Such a definition is particularly problematic because it is inefficient—particularly for multijurisdictional taxpayers—and because it can create traps for unwary taxpayers that do not timely file a state refund claim and/or are being penalized for failing to timely remit additional state tax due.

To illustrate, IRS audits of large multijurisdictional taxpayers can take years, and the IRS will often resolve different tax issues for the same tax year with a taxpayer at different times. For example, the IRS may determine a taxpayer overreported its federal taxable income by a $10 million (*e.g.*, depreciation adjustment) but later determine the taxpayer underreported its federal taxable income by $20 million (*e.g.*, capital gain adjustment). If each of these adjustments is considered a final determination at the state level, a taxpayer would be required to report the overpayment and underpayment separately, potentially receiving a refund from the state only to later be required to pay that refund back. Further,

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[3] Note: Revenue Agent Report changes are generally reported by the IRS on Form 4549, Income Tax Examination Change, which is generally used to report agreed upon changes, and Form 886-A, Explanation of Items, which is generally used to report changes that are not agreed upon.
[4] *See* Exhibit A (attached). Source COST's *Best and Worst of State Tax Administration*; Lindholm, Hogroian, and Nicely; issued December, 2016. Available at: https://www.cost.org/globalassets/cost/state-tax-resources-pdf-pages/cost-studies-articles-reports/final-scorecard-in-templateupdatedbookmarked.pdf. This paper is primarily focused on a taxpayer reporting changes to a state from an IRS audit.
[5] *Id.*
[6] *Id.*
[7] *See* Exhibit B (attached). Source *Bloomberg Tax 2018 Survey of State Tax Departments*, available at: https://www.bna.com/state-tax-survey/.

what happens if the RAR adjustments are made two or three years apart, and a taxpayer fails to report the initial overinclusion of income? Will the taxpayer be denied its refund and be required to pay the state tax based on the $20 million underreported federal adjustment, or can the taxpayer net that result and report a $10 million overall adjustment for the tax period to a state? Hopefully, it is the latter; but, in any case, why require serial reporting?[8]

Beyond potentially owing additional tax for non-filing, there are also penalties and interest that could be imposed for not timely filing an amended state return reporting the federal change. For instance, a taxpayer could be subject to a late filing and/or payment penalty for each time it failed to report an IRS agreed-to adjustment, even though the audit for the taxpayer's tax year is still not final. This is avoided if a state's law clearly does not require serial reporting.

Lastly, several states require reporting of changes made to other state or local governments.[9] Fortunately, most states limit the reporting to federal adjustments, as it is very difficult to determine whether certain changes in income in one state would have an impact on a taxpayer's liability reported to another state.[10]

## B. Time to Report Federal Adjustment

Once a taxpayer's triggering event (*i.e.*, the "final determination") has passed, the taxpayer is required to report the RAR adjustment within a specific period of time. This is another area where the states' laws are not uniform; however, providing at least 180 days is the gold standard.[11] It is also recommended that the time for the taxpayer to file and/or for a revenue agency to issue an

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[8] Note: While the FTB has indicated its position is not to deny an offset of a reduction of tax for an adjustment against an increase in tax from another adjustment, California's law should make it clear that will not occur.

[9] *See* Exhibit C (attached). Source *Bloomberg Tax 2018 Survey of State Tax Departments*, available at: https://www.bna.com/state-tax-survey/.

[10] Note: For California purposes, corporate taxpayers are required to report only changes to federal taxable income pursuant to Cal. Rev. & Tax Cd. § 18622. Individual taxpayers, however, may be required to report changes made by other states and localities if those changes impact the amount of the taxpayer's California credit for taxes paid to another state. *See* Cal. Rev. & Tax. Cd. § 18622.

[11] *See* Exhibit D (attached). Source COST's *Best and Worst of State Tax Administration*; *supra*. Alabama, Kentucky, and Louisiana recently moved to provide at least 180 days; *see* AL Act 14-146, Ala. Code § 40-2A-7 (one year), KY H.B. 487, Sec. 114(4) (180 days), and LA H.B. 798, La. Rev. State. Ann. § 47:287.614 (180 days).

assessment be able to be extended by mutual agreement.[12] Fortunately, California's tax law follows this 180-day standard.

If a taxpayer fails to report federal changes to a state, this raises the issue of how long the statute of limitation period remains open. Although some states' laws limit assessment, absent fraud, to a set period from the reporting of the final federal determination (*e.g.,* six years), other states have no statute of limitation limiting when the agency can assess non-filers. While taxpayers should have a duty to report federal adjustments to the states, the IRS shares information with state revenue agencies on its adjustments, and a taxpayer may not have been aware it had a reporting requirement, or otherwise failed in its reporting obligation due to the complexity of the filing and uncertainty regarding the obligation (especially for multistate filers).[13] General statute of limitation periods encourage revenue agencies to actively seek non-compliant taxpayers rather than waiting (with penalties and interest continuing to accrue), while allowing ample time for enforcement. Unfortunately, California does not have this type of limitation.[14]

### C. Method to Report Federal Adjustment

Lastly, a taxpayer must know how to report the adjustment to a state. The format to report an adjustment to a state should not be overly complicated and should always require the filing of the amended federal tax return adjustments. Some states recently have allowed taxpayers to use spreadsheets, which eases taxpayer compliance and state administration, especially for complex returns. Hopefully, most of the state revenue agencies will eventually have uniform forms that can be used to report the federal changes. Not using the correct filing format can be a trap for the unwary. Some state revenue agencies will say adequate notice (or filing) of an adjustment is provided to the state when a fully completed amended state tax return is filed.[15]

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[12] Note: Another issue, not addressed in this paper, is states allowing non-IRS changes to be made by a taxpayer and/or a state's revenue agency. COST's Policy Position on this issue is available at: http://cost.org/globalassets/cost/state-tax-resources-pdfpages/cost-policy-positions/cost-federal-tax-changes-rar-policy--final-4.-16.15.pdf. Some of the other tax organizations, such as the Tax Executives Institute and the AICPA have a similar policy position.
[13] For example, New Mexico has a general three-year limitation for assessments when a return is filed and limits assessments to seven years if a return is not filed or ten years if a fraudulent return was filed. *See* N.M. Stat. Am. § 7-1-18.
[14] *See* Cal. Rev. & Tax. Code § 19087(a), which requires a return to initiate the limitations period.
[15] *See* Exhibit E (attached). Source *Bloomberg Tax 2018 Survey of State Tax Departments*, available at: [https://www.bna.com/state-tax-survey/](https://www.bna.com/state-tax-survey/).

States should have a *de minimis* provision that does not require a taxpayer to file if the adjustment is below a set threshold, *e.g.,* $50 additional tax due or refund. While some states have thresholds for making a payment or obtaining a refund when filing a return, often a state lacks a *de minimis* provision for reporting RAR adjustments.[16]

Further, States should also encourage taxpayers that are confident that they may have additional tax due to be able to make estimated payments while an IRS audit is pending. This practice benefits the state by accelerating revenue collection and benefits taxpayers by allowing them to reduce the interest and/or penalty on any additional tax owed. State revenue agency systems may need to be updated, and state laws may need to be changed, to allow a taxpayer making an estimated payment pending an IRS audit to still be able to get a refund of any overpaid tax (*e.g.,* even if an IRS audit is subsequently cancelled).[17]

## II. Multistate Tax Commission Uniform Reporting Model

In August 2003, the Multistate Tax Commission (MTC) adopted a Model Uniform Statute for Reporting Federal Tax Adjustments with Accompanying Model Regulation.[18] The 2003 model was not widely adopted by many the states, as states already had reporting statutes on their books, state revenue agencies did not see the need to amend their laws, and taxpayers (including tax associations) did not actively push for legislative action. Recent changes to the federal partnership audit provisions, however, have created a new opportunity to provide greater uniformity and improve the process for a taxpayer to report RAR adjustments to the state revenue agencies.[19] Specifically, starting in 2016, several industry groups (including the Council On State Taxation, Tax Executives Institute, the Association of International Certified Professional Accountants, the American Bar Association's State and Local Tax Committee, the Institute for Professionals in

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[16] Note: We acknowledge that with the passage S.B. 274 California has committed to studying this issue. *See* S.B. 274(j) (passed Aug. 31, 2018, awaiting signature).
[17] Note: We also acknowledge that California allows taxpayers to make estimated payment as described herein. *See* Cal. Rev. and Tax. Cd. § 19401.5.
[18] The 2003 model is available at: http://www.mtc.gov/uploadedFiles/Multistate_Tax_Commission/Uniformity/Uniformity_Projects/A_-_Z/ReportingFederalTaxAdj.pdf.
[19] Note: This paper does not discuss the new federal partnership audit procedures, which are addressed with the new proposed model.

Taxation, and the Master Limited Partnership Association – collectively, the "Interested Parties") collaborated with the MTC to update the 2003 model. Currently, the model includes a section related to the new federal partnership audit procedures that went into effect January 1, 2018[20] in addition to addressing the issue related to the reporting of RAR adjustments discussed above.[21]

Both the 2003 model and the current draft model include a definition of a "final determination" that is only triggered after all issues (*i.e.*, all IRS adjustments) and appeals are exhausted. It also uses a 180-day period to allow taxpayers time to accurately report the federal adjustments to the states (and, as applicable, their local governments).

As included in the current draft model the definition of "final determination" provides:

> (a) Except as provided in [(b) and (c)], if the Federal Adjustment arises from an IRS audit or other action by the IRS, the Final Determination Date is the first day on which no Federal Adjustments arising from that audit or other action remain to be finally determined, whether by IRS decision with respect to which all rights of appeal have been waived or exhausted, by agreement, or, if appealed or contested, by a final decision with respect to which all rights of appeal have been waived or exhausted. For agreements required to be signed by the IRS and the Taxpayer, the Final Determination Date is the date on which the last party signed the agreement.
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> (b) For Federal Adjustments arising from an IRS audit or other action by the IRS, if the Taxpayer filed as a member of a [combined/consolidated return/report under State law], the Final Determination Date means the first day on which no related Federal Adjustments arising from that audit remain to be finally determined, as described in [(a)], for the entire group.
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> (c) If the Federal Adjustment results from filing an amended federal return,

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[20] Note: On August 31, 2018, the California legislature passed S.B. 274, which addresses conformity issues related to the new federal partnership audit procedures that went into effect on January 1, 2018. COST and the other Interested Parties worked with the FTB on the legislation that passed and believes the California legislation incorporates many of the concepts of the current model as it relates to federal partnership audits.

[21] Note: On July 24 2018, the MTC Uniformity Committee voted to recommend the current draft model to be considered by the Executive Committee for a public hearing. On September 12, the MTC Executive Committee unanimously approved that a public hearing be held on the draft model. The public hearing on the draft model has been scheduled for October 15.

> a federal refund claim, or an Administrative Adjustment Request, or if it is a Federal Adjustment reported on an amended federal return or other similar report filed pursuant to IRC section 6225(c), the Final Determination Date means the day on which the amended return, refund claim, Administrative Adjustment Request, or other similar report was filed.[22]

It is notable that the current draft model clarifies that the "final determination" for taxpayers filing in combined groups is when the audit is completed for all members of the combined group.[23]

As noted, the definition of "final determination" included in both the 2003 and current draft of the model provides a trigger for reporting after only **all** appeal rights have been exhausted. Although we cannot speak to the MTC's 2003 model, we would note that over the past year and a half that the working group has been discussing the model, **no** state has raised any issue with this definition or its implications. Specifically, no state has raised an issue with the states being required to wait for issues to be truly final at the federal level before the reporting requirement is triggered. Thus, other state tax administrators appear comfortable with not requiring serial reporting and payments. Additionally, this makes sense when taxpayers are able to make estimated payments to satisfy payments that may be due when the final determination is issued at the federal level.

## III. CALIFORNIA'S REPORTING PROCESS AND POTENTIAL ISSUES CREATED

Cal. Rev. & Tax. Cd. § 18622 sets forth the requirements with which California taxpayers (both individuals and business entities) must comply when reporting a federal change to the Franchise Tax Board. Specifically, that provision provides:

> **(a)** If any item required to be shown on a federal tax return, including any gross income, deduction, penalty, credit, or tax for any year of any taxpayer is changed or corrected by the Commissioner of Internal Revenue or other officer of the United States or other competent authority, or where a

[22] *See* Section A(9) of current draft model. It should also be note that for purposes of the current model the trigger event is entitled "final determination date" as opposed to "final determination." For purposes of this paper, we will use these terms interchangeably and are not recommending that California change its trigger event reference from "final determination."
[23] Note: The model also has a draft regulation that goes into more detail, and provides examples, on what constitutes a "final determination."

renegotiation of a contract or subcontract with the United States results in a change in gross income or deductions, that taxpayer shall report each change or correction, or the results of the renegotiation, within six months after the date of each final federal determination of the change or correction or renegotiation, or as required by the Franchise Tax Board, and shall concede the accuracy of the determination or state wherein it is erroneous. For any individual subject to tax under Part 10 (commencing with Section 17001), changes or corrections need not be reported unless they increase the amount of tax payable under Part 10 (commencing with Section 17001) for any year.
**(b)** Any taxpayer filing an amended return with the Commissioner of Internal Revenue shall also file within six months thereafter an amended return with the Franchise Tax Board which shall contain any information as it shall require. For any individual subject to tax under Part 10 (commencing with Section 17001), an amended return need not be filed unless the change therein would increase the amount of tax payable under Part 10 (commencing with Section 17001) for any year.
**(c)** Notification of a change or correction by the Commissioner of Internal Revenue or other officer of the United States or other competent authority, or renegotiation of a contract or subcontract with the United States that results in a change in any item or the filing of an amended return must be sufficiently detailed to allow computation of the resulting California tax change and shall be reported in the form and manner as prescribed by the Franchise Tax Board.
**(d)** For purposes of this part, the date of each final federal determination shall be the date on which each adjustment or resolution resulting from an Internal Revenue Service examination is assessed pursuant to Section 6203 of the Internal Revenue Code.

Based on this provision, a taxpayer is required to report an RAR adjustment within six months (or 180 days). Further, Cal. Rev. & Tax. Cd. § 18622(d) provides a definition of "final federal determination," which is considered to be the date on which an IRS adjustment is assessed pursuant to IRC § 6203. IRC § 6203 provides in pertinent part that "[an] assessment shall be made by recording the liability of the taxpayer in the office of the Secretary in accordance with rules or regulations prescribed by the Secretary." Thus, an adjustment under IRC § 6203 is made when a liability is recorded to the taxpayer's account with the IRS, which happens each time an issue is agreed-upon between a taxpayer and the IRS. Practically speaking, this can happen on an issue-by-issue basis, meaning that a taxpayer may have multiple IRC § 6203 adjustments for a single audit year.

Further, an adjustment may be posted to a taxpayer's account pursuant to IRC § 6203 prior to the appeal rights being extinguished.

Although California's RAR reporting statute includes a definition of "final determination," that definition could potentially result in serial reporting as discussed above. By incorporating the reference to IRC § 6203 into Cal. Rev. & Tax. Cd. § 18622, the California legislature has tied its RAR reporting requirement to the date on which a certain issue is resolved with the IRS and is posted to the taxpayer's account as opposed to when an IRS audit has concluded, and the taxpayer's appeal rights have been extinguished. As discussed above, tying the reporting requirement to issue resolution, as opposed to the final outcome of the IRS audit, requires a taxpayer to file a report to the FTB each time an issue—as opposed to the final audit—has been resolved. This simply creates extra work for both taxpayers and the state because a taxpayer can already make estimated payments to California to reduce the interest it will owe the State without the serial reporting requirements.

For example, if the IRS and a taxpayer resolve 10 separate issues over a period of several years, which is not uncommon for large multijurisdictional taxpayers as part of a single federal audit, the taxpayer could be required to report each of those adjustments to the state separately. Each time the taxpayer reports an RAR adjustment, that report must be reviewed and reconciled by employees of the Franchise Tax Board (FTB). This could potentially result in up to 10 different taxpayer RAR reports, which the FTB would have to track, reconcile, and administer. Serial reporting also increases the odds for errors, both by a taxpayer and the FTB.

## IV. CALIFORNIA SHOULD CONSIDER AMENDING ITS DEFINITION OF FINAL DETERMINATION TO ELIMINATE SERIAL RAR REPORTING

Although California incorporates several concepts from the MTC RAR reporting model,[24] the current California definition of final determination included in Cal. Rev. & Tax. Cd. § 18622 should be amended to better align with the model. Specifically, California should amend its definition of final determination to provide that a taxpayer is only required to report an RAR adjustment when all issues at the federal level have been resolved and the taxpayer's appeal rights have been extinguished.

[24] *See* S.B. 274 (2018).

We suggest revising Cal. Rev. & Tax. Cd. § 18622 as follows:

> (a) If any item required to be shown on a federal tax return, including any gross income, deduction, penalty, credit, or tax for any year of any taxpayer is changed or corrected by the Commissioner of Internal Revenue or other officer of the United States or other competent authority, or where a renegotiation of a contract or subcontract with the United States results in a change in gross income or deductions, that taxpayer shall report ~~each~~ ***a*** change or correction, or the results of the renegotiation, within six months after the date of ~~each~~ ***the*** final federal determination of the change or correction or renegotiation, or as required by the Franchise Tax Board, and shall concede the accuracy of the determination or state wherein it is erroneous. For any individual subject to tax under Part 10 (commencing with Section 17001), changes or corrections need not be reported unless they increase the amount of tax payable under Part 10 (commencing with Section 17001) for any year.
>
> . . .
>
> (d) For purposes of this part, the date of ~~each~~ ***the*** final federal determination shall be the date on which ~~each adjustment or resolution resulting from an Internal Revenue Service examination is assessed pursuant to Section 6203 of the Internal Revenue Code.~~ ***no change to an item or amount determined under the Internal Revenue Code that is used to compute a taxpayer's California tax arising from that audit or other action remains to be finally determined, whether by IRS decision with respect to which all rights of appeal have been waived or exhausted, by agreement, or, if appealed or contested, by a final decision with respect to which all rights of appeal have been waived or exhausted. For agreements required to be signed by the IRS and the Taxpayer, the date of the final federal determination is the date on which the last party signed the agreement.***

Further, California may also wish to include a specific reference to final determinations as they relate to corporate combined filing groups. In that case, the following language could also be considered if Cal. Rev. & Tax. Cd. § 18622 were to be amended:

> ***For changes to an item or amount determined under the Internal Revenue Code that is used to compute the California tax of a taxpayer that is the member of a California combined filing group arising from an IRS audit or other action by the IRS, the date of the final federal determination shall be***

***the date on which no change to any such item or amount from that audit remains to be finally determined for the entire group.***

We understand that as recently as 2009 the FTB studied the definition of "final determination" and determined that the date a taxpayer is assessed pursuant to IRC § 6203 "is the only date both taxpayers and the department can verify" a federal change by requesting information from the IRS.[25] Although we do not dispute the FTB's statement regarding the ability to verify information following a change being posted to a taxpayer's account pursuant to IRC § 6203, we disagree with the FTB's conclusion that should trigger a filing obligation pursuant to Cal. Rev. & Tax. Cd. § 18622. As discussed above, that trigger date will almost certainly result in multiple or serial reporting for many large taxpayers, which is a much greater burden than trying to pin down the specific date that all appeal rights have been exhausted. Further, the draft MTC model does not require serial reporting, and when the issue was raised by the MTC staff person leading the project, no state tax administrator on the calls indicated they saw it as a necessary requirement. While not a one size fits all solution, the MTC model continues to appropriately exclude any requirement that a taxpayer prepare and submit multiple or serial reports. Again, this approach should clearly be favored, as it also eliminates the need for the FTB to process, review, and approve multiple reports and filings.

Finally, as more states adopt the MTC's model of final determination date, more taxpayers and state taxing agencies will be able to more easily identify the date on which all of a taxpayer's appeal rights have been exhausted. This will provide greater and more efficient voluntary compliance, and we encourage California to be a trendsetter on this issue.

## V. CONCLUSION

For the reasons discussed above, we encourage California to amend its definition of "final determination" to eliminate the requirement that a taxpayer report each time the IRS has posted a change to the taxpayer's account and to

[25] *See* FTB response to CalTax Proposal #5: Final Determination Date Definition, which can be found at: file:///C:/Users/ndoba/AppData/Local/Microsoft/Windows/INetCache/Content.Outlook/W0ICUH9A/2009_Spidell_Response_2.pdf.

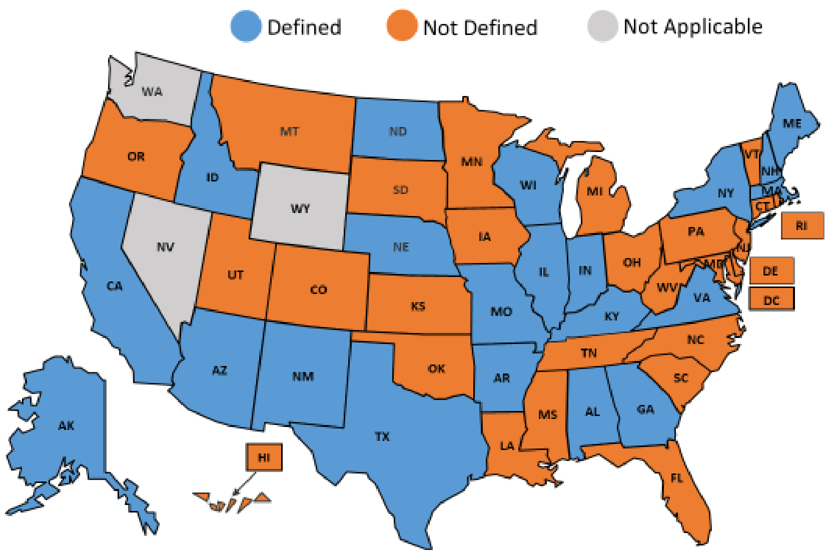
move towards a definition that requires a taxpayer to report only after all issues have been settled at the federal level.

**The comments contained in this paper are the individual views of the authors who prepared them, and do not represent the position of the State Bar of California or of the Taxation Section.**

## Exhibits

Exhibit A

States with Definition of a "Final Determination"




Source: COST State Tax Administration Scorecard, December 2016

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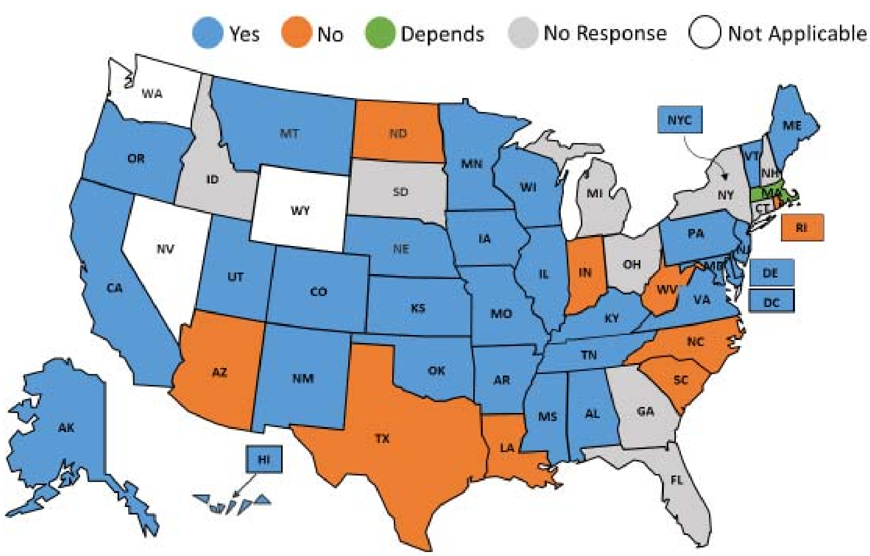
Exhibit B

States That Require Filing/Payment Based on Partial Settlement




Source: Bloomberg Tax 2018 Survey of State Tax Departments

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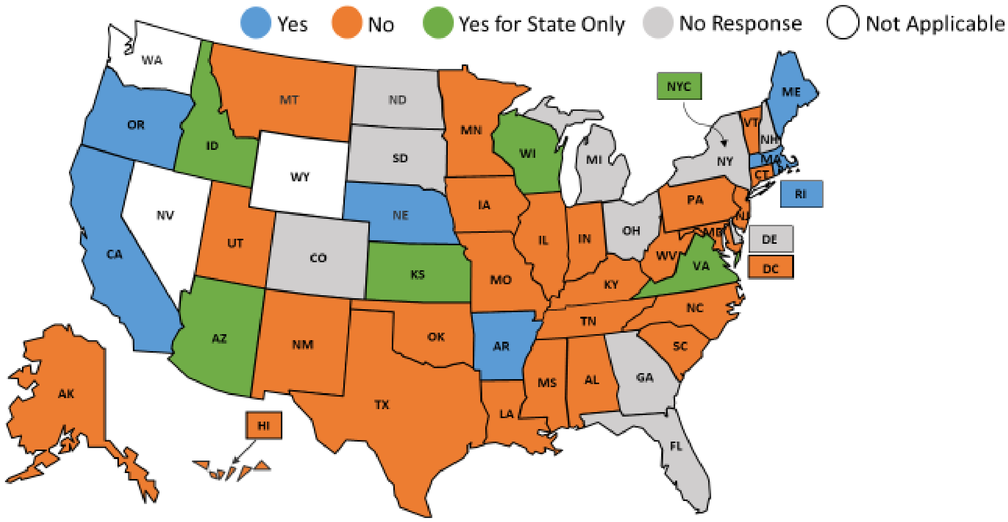
## Exhibit C

### States That Require Filing Based on Other State and Local Tax Agency Adjustments




Source: Bloomberg Tax 2018 Survey of State Tax Departments

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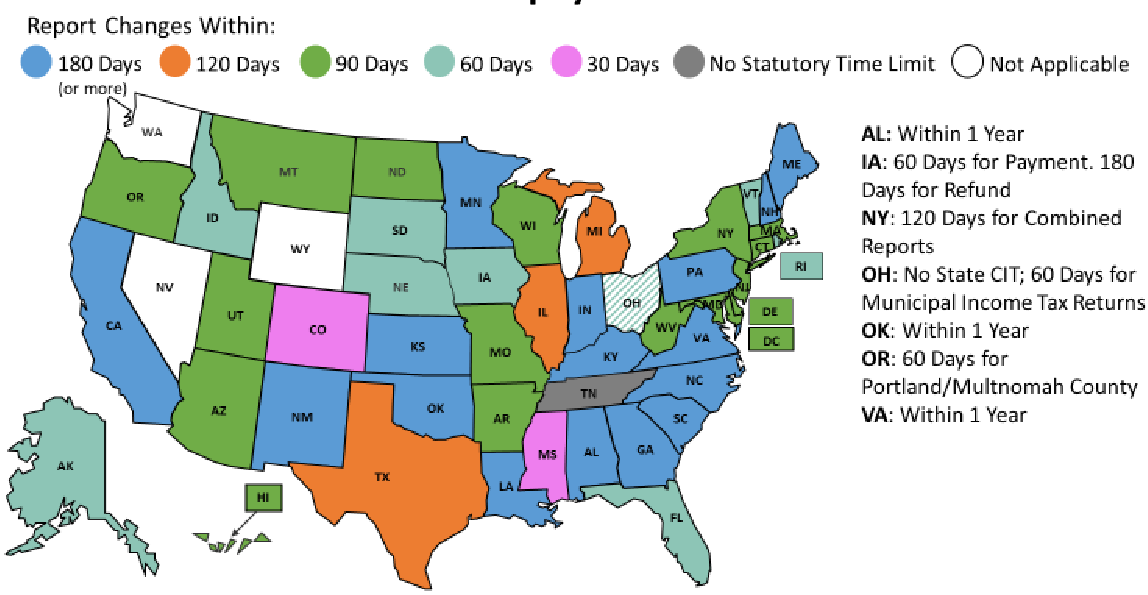
## Exhibit D

### When Do Taxpayers Have to File




Source: COST State Tax Administration Scorecard, December 2016 – Updated 9/2018

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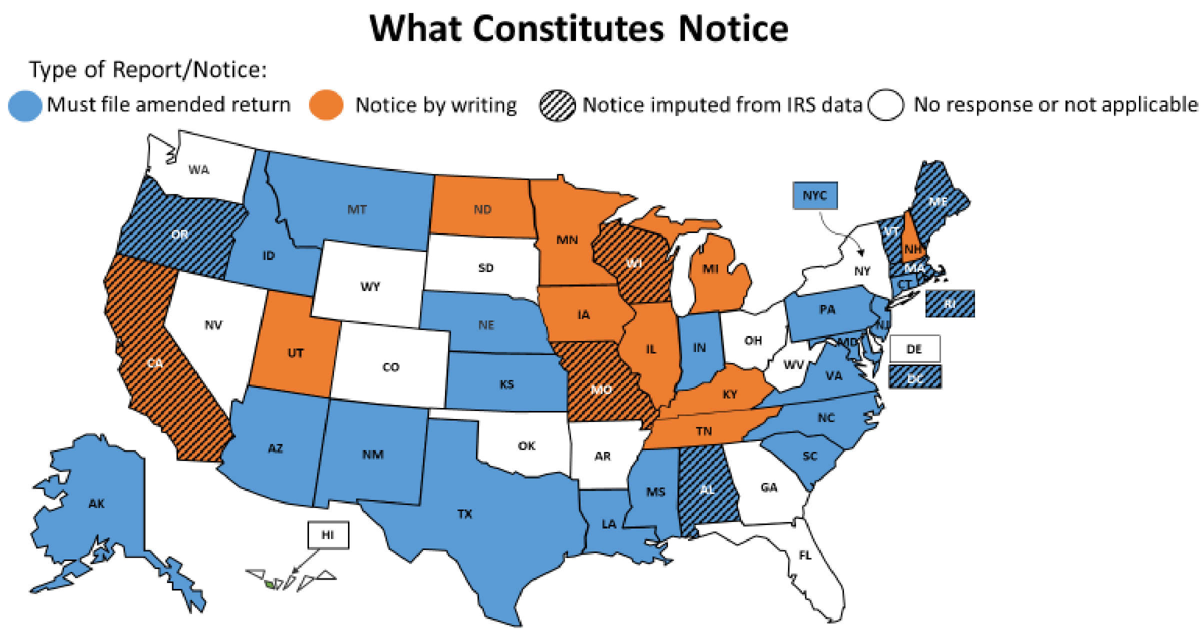
Exhibit E




Source: Bloomberg Tax 2018 Survey of State Tax Departments