

## Income/Franchise:

### California: Taxpayers Reminded About Limited Time Resolution for Some Eligible Transactions Subject to NEST Penalty

*Tax News*, Cal. Fran. Tax Bd. (August 2023). In the “Chief Counsel Corner” section of the California Franchise Tax Board (FTB)’s monthly “Tax News” newsletter, taxpayers are reminded about FTB Notice 2023-02, which was issued a few months ago and announced the creation of a resolution process that allows certain eligible taxpayers to resolve “eligible transactions” that may be subject to the non-economic substance transaction (NEST) understatement penalty under Cal. Revenue and Taxation Code (RTC) section 19774 by providing reduced penalties [see *State Tax Matters*, Issue 2023-23, for more details about FTB Notice 2023-02]. According to the FTB, eligible taxpayers may participate in the FTB Notice 2023-02 resolution from July 10, 2023, through November 17, 2023, by submitting a FTB Notice 2023-02 closing agreement that reverses the tax benefits and the deductions for related transaction costs attributable to the transactions. The FTB then proceeds to “share some information about micro-captive insurance and syndication conservation easement transactions” in light of this limited time resolution. Please contact us with any questions.

**URL:** <https://www.ftb.ca.gov/about-ftb/newsroom/tax-news/index.html#article0>

**URL:** <https://www.ftb.ca.gov/tax-pros/law/ftb-notices/2023-02.pdf>

**URL:** [https://dhub.blob.core.windows.net/dhub/Newsletters/Tax/2023/STM/230609\\_1.html](https://dhub.blob.core.windows.net/dhub/Newsletters/Tax/2023/STM/230609_1.html)

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