



nestegg
BOOKKEEPING

Glossary of Terms

A

ACH Credit

The Automated Clearing House (ACH) credit method allows you to transfer funds by instructing your financial institution to debit your account and credit the state's bank account.

ACH Debit

The Automated Clearing House (ACH) debit method allows you to transfer funds by instructing the state to electronically debit a bank account you control for the amount you report to the state's data collector. FTB recommends the ACH debit method because of the simplicity and cost savings to the taxpayer.

Adjusted Gross Income (AGI)

Your federal adjusted gross income from all sources reduced or increased by all California income adjustments.

Adopted Child

An adopted child is a child you have legally adopted. After legal adoption, the child is considered your child by blood. Before legal adoption, a child is considered your child for head of household purposes if, during the tax year, he or she was placed with you for adoption by an authorized agency and was a member of your household.

Annual Report

Summary of our major program activities during the calendar year and statistical profile of California individual and business taxpayers.

Annulment

If you were married in the tax year but the marriage was later annulled, you are treated as having been unmarried during the year.

B

Board of Equalization (BOE)

California State agency that administers sales and use, property, and special taxes.

C

CalFile

Our free, direct e-file for California resident personal income tax returns.

Casualty

A casualty occurs when property is damaged as a result of a disaster such as a hurricane, fire, car accident or similar event. Generally, you may deduct a casualty loss only in the tax year in which the loss occurred. However, if you have a casualty loss from a disaster that occurred in an area declared by the President or the Governor as a disaster area, the loss may be claimed for the year in which the disaster occurred, or the year immediately before the loss.

Customer Service Number (CSN)

A 4-digit authentication number the Franchise Tax Board assigns each taxpayer every year. The combination of the CSN and the taxpayer's social security number ensures confidentiality and security when conducting business electronically with us.

D

Disposable Earnings

An employee's total earnings minus lawful deductions.

Lawful deductions include:

- Federal income tax
- Social security
- State income tax
- State disability

Domestic Partnership

California Family Code section 297 provides that "domestic partners are two adults who have chosen to share one another's lives in an intimate and committed relationship of mutual caring." [Read more.](#)

E

Earned Income

Includes wages, salaries, tips, professional fees, net self-employment income, and other compensation received for personal services.

Earnings Withholding Order

An Earnings Withholding Order is a continuing levy on a percentage of an individual's earnings. We issue an Earnings Withholding Order for individuals who owe an unresolved delinquent vehicle registration amount or court-ordered debt.

Earnings Withholding Orders for Taxes (for employers)

An Earnings Withholding Order for Taxes is a continuing levy on a percentage of a taxpayer's earnings. We issue an Earnings Withholding Order for Taxes for taxpayers who owe an unresolved delinquent tax debt.

Economic Development Areas (EDAs)

California currently has four types of Economic Development Areas (EDAs) that have related tax incentives. These areas are: Enterprise Zones (EZs), Local Agency Military Base Recovery Areas (LAMBRAs), Manufacturing Enhancement Areas (MEAs), and Targeted Tax Areas (TTAs). Taxpayers who conduct business activities within the boundaries of one of these areas or zones may qualify for special state tax incentives.

E-File

Allows you to file your return electronically using software.

Electronic Funds Transfer (EFT)

A method of payment. It is convenient, helps prevent installment agreement defaults, and saves processing costs.

Employment Development Department (EDD)

A California state agency that manages California payroll taxes.

F

Financial Hardship

If you cannot pay the full amount due with your income tax return, you can ask to make monthly installment payments. However, you will be charged interest and may be charged a late payment penalty on the tax not paid by the due date, even if your request to pay in installments is granted. If your request is granted, you must also pay a fee. To limit interest and penalty charges, pay as much of the tax as possible with your return. But before requesting an installment agreement, you should consider other less costly alternatives, such as a bank loan.

Franchise Tax Board (FTB)

An administrative agency of the State of California that is responsible for collecting California personal and business income taxes.

G

Gross Earnings

Wages, salary, commissions, bonuses, vacation pay, or anything an employer pays an employee for personal services.

Gross Income

All income you received in the form of money, goods, property, and services from all sources that are not exempt from tax. Gross income does not include any adjustments or deductions.

H

Head of Household

Although you are the head of your house, you may not qualify for the head of household filing status under state and federal tax laws. The legal requirements are more complicated than simply being the head of the house.

Higher Order

A levy sent to an employer from a state agency other than the Franchise Tax Board or from the federal government. For the priority order for withholding, see </individuals/ewot.shtml>.

Homeowner Assistance Program

This program allows a once-a-year payment from the State of California to qualified individuals based on part of the property taxes assessed and paid on their homes.

I

Innocent Spouse

Generally, when a joint tax return is filed, each spouse is equally liable for all the tax, penalties, and interest for the particular joint tax year. This means the entire amount of tax, penalties, and interest may be collected from either spouse, even if only one spouse earned all of the income. However, a spouse who meets certain legal requirements may qualify as an innocent spouse and be fully or partially relieved of the liability to pay joint tax, penalties, and interest. [Read more.](#)

Installment agreement

If you cannot pay your taxes in full, you may request to make monthly installment payments. If we approve your request, we agree to let you pay the tax you owe in monthly installments instead of immediately paying the amount in full. Once we accept your online installment agreement application, you should receive a written notice within 30 days. You can only make one request per year.

Internal Revenue Service (IRS)

An administrative agency of the U.S. Department of the Treasury that is responsible for collecting federal personal and business income taxes and federal payroll taxes.

L

Levy

A legal court order that compels a third party to withhold part of an individual's wages to satisfy a debt. (A levy is also referred to as a wage garnishment or a wage assessment.)

Liens

A lien is a legal claim against real or personal property to satisfy a debt.

M

Mandatory e-file

California law requires tax practitioners who prepare more than 100 California individual income tax returns annually and prepare one or more using tax preparation software to e-file all personal income tax returns.

Manufacturers' Investment Credit (MIC)

The Manufacturers' Investment Credit was repealed as of January 1, 2004. Use Form 3540 to claim any remaining carryovers for this credit.

N

National

A U.S. national is an individual who, although not a U.S. citizen, owes allegiance to the U.S. This includes American Samoans and Northern Mariana Islanders who chose to become U.S. nationals instead of U.S. citizens. For more information, refer to federal Publication 519, U.S. Tax Guide for Aliens at www.irs.gov, or contact your local Office of the Immigration and Naturalization Service.

Nonrefundable Renter's Credit

The Nonrefundable Renter's Credit is a personal income tax credit that can only be used to offset your tax liability; therefore, you must have a tax liability to claim the credit. Please see this page for more information.

Nonresident Alien

If you were a nonresident alien during any part of the year, you cannot qualify for head of household filing status even though you may meet all of the other rules for the filing status.

Notice Codes

You can view an explanation of the adjustments made to your California Personal Income Tax Return by clicking on the CODE that matches the CODE on your notice.

O

Offer in Compromise (OIC)

The program is for taxpayers who do not have, and will not have in the foreseeable future, the income, assets or means to pay their tax liability. It allows a taxpayer to offer a lesser amount for payment of a non-disputed final tax liability.

P

Power of Attorney

A legal document that allows someone else to act on your behalf, in matters that you specify in the Power of Attorney document. You can also use this document to authorize an individual to receive information administered by us for non-tax issues such as Homeowner & Renter Assistance, Child Support Collection, etc.

R

ReadyReturn Pilot

This is an FTB pilot program designed to make tax return filing easier for taxpayers who file the simplest returns. Only selected taxpayers will be able to participate in the ReadyReturn pilot. You cannot request to participate in the Pilot. This is to ensure the statistical validity of our Pilot.

Release

A legal order that terminates a wage garnishment, releasing an employer from complying with a current Earnings Withholding Order.

Renter Assistance Program

This program provides a once-a-year payment from the State of California to individuals based on part of the property taxes that they paid indirectly when they paid their rent.

Request Public Information

Find out how to get public information under the Public Records Act.

S

Separate Property

All property owned separately by the husband or wife before marriage. It is also property acquired separately after marriage by the husband or wife as a gift, devise, bequest or inheritance. Separate property may be acquired during marriage by purchase with separate funds, by exchanging the separate property, or in accordance with a pre- or post-nuptial agreement.

State Disability Insurance (SDI)

Provides temporary payments to workers who are unable to perform their usual work because of a pregnancy or a nonoccupational illness or injury. Beginning January 1, 2004, SDI also includes Paid Family Leave, which provides benefits to workers who need to care for a seriously ill family member or to bond with a new child. SDI benefits are taxable only if paid as a substitute for unemployment insurance (UI) benefits. This could occur if a person was receiving UI benefits and then became disabled. When SDI benefits are received as a substitute for UI benefits, the SDI is taxable by the federal government but is not taxable by the State of California.

Stepchild

A stepchild is not your natural child but is the natural or adopted child of your spouse. To have a stepchild, you must have at some time been married to the child's parent.

T

Tax Gap

Experts define the tax gap as the difference between what taxpayers owe and what they voluntarily pay.

Temporary Absence

Even if you, your spouse, or your qualifying person was temporarily absent from your home, you are considered to have occupied the same household. Temporary absences include those due to illness, education, business, vacations, military service, and, in some cases, incarceration. If you or the qualifying person were absent, it must have been reasonable to assume that you, your spouse, or your qualifying person would return to the household after the temporary absence, and you must have continued to maintain a household in anticipation of the return. Time your qualifying person was in the custody of another person under either a formal or informal custody agreement cannot be considered a temporary absence.

U

Use Tax

You may owe this tax on purchases you made from out-of-state or Internet sellers. Use tax is similar to the sales tax paid on purchases you make in California. You may report use tax on your income tax return instead of filing a use tax return with the State Board of Equalization. To report use tax on your income tax return, use the Use Tax Worksheet in the tax booklet. Read more.

V

Voluntary Disclosure Program

Allows qualified entities, qualified shareholders, or beneficiaries that may have incurred an unpaid California tax liability or an unfulfilled filing requirement to disclose their liability voluntarily.

Voluntary Plan Disability Insurance (VPDI)

A private disability insurance plan which meets the requirements of, and is approved by the State of California.

W

Web Pay

Used to make your personal income tax payments online. You can pay today or schedule your payment up to one year in advance.

Withholding Amount

The amount an employer must withhold from an employee's disposable earnings and send to the Franchise Tax Board. The withhold amount is 25 percent of disposable earnings, unless the Franchise Tax Board reduces the payment amount with a Modification of Withholding Order.