

OFFICE OF TAX APPEALS
STATE OF CALIFORNIA

In the Matter of the Appeal of:)
L. ARIZALA AND)
E. ARIZALA (DEC'D))
)
)
)
)

OTA Case No. 241117902

OPINION

Representing the Parties:

For Appellants: L. Arizala

For Respondent: Ariana Macedo, Attorney

T. STANLEY, Administrative Law Judge: Pursuant to Revenue and Taxation Code (R&TC) section 19324, L. Arizala and E. Arizala (dec'd) (appellants) appeal an action by respondent Franchise Tax Board (FTB) denying appellants' claim for refund of \$1,188.25 for the 2018 taxable year and \$9,476.75 for the 2019 taxable year.

Appellants waived the right to an oral hearing; therefore, the matter was submitted to the Office of Tax Appeals (OTA) on the written record pursuant to California Code of Regulations, title 18, section 30209(a).

ISSUE

Are appellants' claims for refund for 2018 and 2019 barred by the statute of limitations?

FACTUAL FINDINGS

2018 Taxable Year

1. FTB received information indicating that E. Arizala may have a filing requirement for taxable year 2018 and sent a Demand for Tax Return (Demand)¹ to E. Arizala.
2. E. Arizala did not respond to the Demand, and FTB issued a Notice of Proposed Assessment (NPA) to E. Arizala proposing total tax of \$9,820, penalties, a fee, and interest. After allowing credit for withholdings of \$2,308, the total proposed assessment was \$13,287.20.

¹ OTA's record does not include a Demand or Request for Tax Return for a prior tax return, but the validity of the Demand is not at issue in this appeal.

3. When E. Arizala did not timely protest the NPA, it went final, and FTB thereafter transferred \$12,322.65 from appellants' 2020 tax year account to their 2018 tax year account on September 23, 2024.
4. Appellants filed their joint 2018 tax return late on October 2, 2024, reporting total tax of \$895, withholdings of \$2,307, and overpaid tax of \$1,412.
5. FTB accepted the return as filed and treated it as a claim for refund.
6. Based on the return filed by appellants, FTB computed that appellants had an overpayment of \$13,545.96 on their 2018 account.² On October 15, 2024, FTB transferred \$8,639.74 from appellant's 2018 tax year account to their 2019 tax year account and issued appellants a refund of \$3,717.97.
7. FTB denied the remaining overpayment of \$1,188.25 on the grounds that it was barred by the statute of limitations.

2019 Taxable Year

8. FTB received information indicating that E. Arizala may have a filing requirement for taxable year 2019 and send a Demand to E. Arizala.
9. E. Arizala did not respond to the Demand, and FTB issued an NPA to appellant E. Arizala proposing total tax of \$13,561, penalties, a fee, and interest. After allowing credit for withholdings of \$10,563, the total proposed assessment was \$7,411.88.
10. When E. Arizala did not timely protest the NPA, it went final, and FTB thereafter transferred \$8,639.74 from appellants' 2018 tax account to appellants' 2019 tax account on October 15, 2024.
11. Appellants filed their 2019 tax return late on October 7, 2024, reporting total tax of \$869, withholdings of \$10,563, and overpaid tax of \$9,694.
12. FTB accepted the return as filed and treated it as a claim for refund.
13. Based on the return filed by appellants, FTB computed that appellants had an overpayment of \$18,116.49 on their 2019 account.³ FTB issued appellants a refund of \$8,639.74 and denied the remaining refund claim of \$9,476.75.
14. Appellants filed timely appeals for both taxable years.

² This amount consists of \$2,307 of withholdings, a \$12,322.65 transfer from appellants' 2020 account, and allowed interest of \$35.06, less tax of \$895 and a \$223.75 demand penalty.

³ This amount consisted of \$10,563 of withholdings and a \$8,639.74 transfer from appellants' 2018 account, less tax of \$869 and a \$217.25 demand penalty.

DISCUSSION

With certain exceptions not at issue here, no credit or refund may be allowed unless a claim for refund is filed within the later of: (1) four years from the date the return was filed, if the return was timely filed pursuant to an extension of time to file; (2) four years from the due date for filing a return for the year at issue (determined without regard to any extension of time to file); or (3) one year from the date of overpayment. (R&TC, § 19306(a).) Taxpayers have the burden of proof to show entitlement to a refund and that the claim is timely. (*Appeal of Estate of Gillespie*, 2018-OTA-052P.) There is no reasonable cause or equitable basis for suspending the statute of limitations. (*Appeal of Benemi Partners, L.P.*, 2020-OTA-144P.) If taxpayers fail to file a claim for refund within the statute of limitations, the claim is barred even if the tax is alleged to have been erroneously, illegally, or wrongfully collected. (*Ibid.*)

2018 Taxable Year

Appellants failed to file a 2018 return by October 15, 2019, the extended due date for the return. (R&TC, § 18567(a)(1); Cal. Code Regs., tit. 18, § 18567(a).) Therefore, the first four-year statute of limitations period is inapplicable. The second four-year statute of limitations period runs from the original due date for appellants' 2018 return, and thus expired on April 15, 2023, which is four years from the original due date of the return on April 15, 2019. (R&TC, §§ 19306(a), 18566.) Appellants, however, filed their return for the 2018 taxable year on October 2, 2024, which is beyond the second four-year statute of limitations period prescribed in R&TC section 19306(a).

Regarding the one-year statute of limitations, appellants' income tax withholdings for 2018 are deemed paid on the original due date for the tax return, April 15, 2019. (R&TC, § 19002(c)(1).) Thus, to be within the one-year statute of limitations, appellants must have filed a claim for refund of the withholdings on or before April 15, 2020. FTB transferred \$12,322.65 from appellants' 2020 tax account on September 23, 2024, which is when the payment is deemed paid. Appellants filed their 2018 return on October 2, 2024, which is within one year from the date FTB transferred the \$12,322.65 from appellants' 2020 tax account. FTB thereafter transferred \$8,639.74 of this payment to appellants' 2019 tax account on October 15, 2024, as a payment toward appellants' then-outstanding 2019 balance. (R&TC, § 19301(a).) As such, FTB correctly refunded \$3,717.97⁴ and properly denied appellants' claim for refund of the remaining overpayments of \$1,188.25.

⁴ The transfer-in payment of \$12,322.65 – the transfer-out payment of \$8,639.74 + interest allowed of \$35.06.

Appellants do not deny that their return was filed late. Rather, appellants claim that they resided in Italy from September 2018 through March 2021. When they returned to the country, their tax preparer informed them that they were backlogged and needed additional information to prepare appellants' returns. Appellants assert that due to the passing of appellant-husband on October 7, 2021, it was more difficult to provide the tax preparer with the necessary information as all of appellants' accounts were in appellant-husband's name. Appellants do not explain why they were unable to obtain the information and file a tax return prior to the expiration of the four-year statute of limitations on April 15, 2023, more than two years after they returned from Italy. In any event, appellants make reasonable cause arguments, but as noted above, reasonable cause or equitable circumstances do not allow a refund after the statute of limitations has expired. (*Appeal of Benemi Partners, L.P., supra.*) As such, OTA has no basis to overturn FTB's action for the 2018 taxable year.

2019 Taxable Year

Appellants failed to file a 2019 return by October 15, 2020, the extended due date for the return. (R&TC, § 18567(a)(1); Cal. Code Regs., tit. 18, § 18567(a).) Therefore, the first four-year statute of limitations period is inapplicable. The second four-year statute of limitations period runs from the original due date of appellants' 2019 return, and thus expired on April 15, 2024, which is four years from the original due date of the return on April 15, 2020. (R&TC, §§ 19306(a), 18566.) Appellants, however, filed their return for the 2019 taxable year on October 7, 2024, which is beyond the second four-year statute of limitations period prescribed in R&TC section 19306(a).

Regarding the one-year statute of limitations, appellants' income tax withholdings for 2019 are deemed paid on the original due date for the tax return, April 15, 2020. (R&TC, § 19002(c)(1).) Thus, to be within the one-year statute of limitations, appellants must have filed a claim for refund of withholdings on or before April 15, 2021. FTB transferred \$8,639.74 from appellants' 2018 tax account to appellants' 2019 tax account on October 15, 2024, which is when the payment is deemed paid. Appellants' filed their 2019 return on October 7, 2024, which is within one year from the date FTB transferred \$8,639.74 from appellants' 2019 account. As such, FTB correctly refunded \$8,639.74 and properly denied appellants' claim for refund of the remaining overpayments of \$9,476.75.⁵

⁵ Total payments of \$19,202.74 - \$869 tax - \$217.25 demand penalty - \$8,639.74 refund.

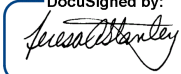
Appellants make the same contentions for both taxable years at issue. As discussed above, reasonable cause does not allow a refund after the statute of limitations has expired. (*Appeal of Benemi Partners, L.P., supra.*) As such, OTA has no basis to overturn FTB's action for the 2019 taxable year.

HOLDING

Appellants' claims for refund for 2018 and 2019 are barred by the statute of limitations.


DISPOSITION

OTA sustains FTB's denial of appellants' claims for refund.

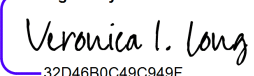
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Teresa A. Stanley
Administrative Law Judge

We concur:

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Michael F. Geary
Administrative Law Judge

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Veronica I. Long
Administrative Law Judge

Date Issued: 9/18/2025