



- Appellants reported tax of \$53, which, after claiming exemption credits, a nonrefundable renter's credit, and withholding credits, resulted in a claimed overpayment of \$2,998.
2. FTB accepted appellants' return as filed and processed a refund on April 16, 2020.
  3. FTB subsequently reviewed appellants' return and on May 23, 2023, issued a Notice of Proposed Assessment (NPA) proposing additional tax of \$2,778, plus applicable interest. The NPA stated that it proposed to disallow appellants' California adjustment that excluded \$89,276 from appellants' California AGI. In the NPA, FTB explained its finding that appellants were California residents and therefore all of appellants' wage income was subject to tax. Based on the increased AGI, FTB also disallowed appellants' claimed nonrefundable renter's credit.
  4. Appellants protested the NPA and provided FTB with copies of their Forms W-2, which show wage income.
  5. On January 18, 2024, FTB documented a telephone call with one of the appellants<sup>2</sup> in which appellant allegedly agreed with the NPA. Thereafter, FTB issued a Notice of Action affirming the NPA.
  6. This timely appeal followed.

#### DISCUSSION

FTB's determination is presumed correct, and a taxpayer has the burden of proving error. (*Appeal of Head and Feliciano*, 2020-OTA-127P.) Unsupported assertions are insufficient to satisfy a taxpayer's burden of proof. (*Appeal of GEF Operating Inc.*, 2020-OTA-057P.) Ignorance or a misunderstanding of the law generally does not excuse a taxpayer's noncompliance with California tax laws. (*Appeal of Wright Capital Holdings LLC*, 2019-OTA-219P.)

Pursuant to R&TC section 17041(a)(1), a tax is imposed on the entire taxable income of every resident of California for each tax year. Pursuant to R&TC section 17071, California generally conforms to the definition of "gross income" contained in Internal Revenue Code (IRC) section 61, which defines gross income as "all income from whatever source derived," including compensation for services, e.g. wages. (IRC, § 61(a)(1).) Where California does not conform to items includible in gross income under federal law, Column B of Schedule CA (540) is used to

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<sup>2</sup> The detail provided leaves it unclear to which of the appellants FTB spoke.

report the differences. For the 2019 tax year, there were no differences in the reportable amount of wage income for California and federal purposes. (R&TC, § 17071.)

On appeal, appellants assert only that they do not understand why their deductions were disallowed. Appellants filed a 2019 return and do not dispute that they were residents of California for the 2019 tax year. As California residents, appellants were required to report their entire taxable income. (See R&TC § 17041(a)(1).) Column B of Schedule CA (540) is used to enter subtractions to federal amounts that are necessary due to differences in California and federal tax law. (2019 Instructions for Schedule CA (540), p. 2.) As stated above, there is no difference between federal and California tax law with respect to the amount of wages reportable in gross income. (IRC, § 61; R&TC, § 17071.) Accordingly, FTB properly determined that appellants were required to include wage income of \$89,276 in their California taxable income.

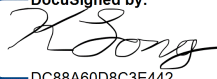
As to the renter's credit, R&TC section 17053.5(a)(1) provides qualified renters with a credit against their net tax. For 2019, the credit for spouses filing joint returns was \$120 if adjusted gross income was less than \$50,000. (R&TC, §17053.5 (2017).) Here, appellants' AGI exceeded \$50,000. As such, FTB properly disallowed appellants' claimed renter's credit. Tax credits are a matter of legislative grace, and taxpayers bear the burden of proving that they are entitled to claimed tax credits. (*Appeals of Swat-Fame, Inc., et al.*, 2020-OTA-056P.) Unsupported assertions are not sufficient to satisfy the taxpayers' burden of proof. (*Appeal of Morosky*, 2019-OTA-312P.) Appellants have not provided any evidence to show entitlement to the renter's credit. Appellants have not met their burden of proof.

HOLDINGS

Appellants have not established error in FTB’s proposed assessment.

DISPOSITION

FTB’s action is sustained.

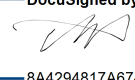
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Keith T. Long  
Administrative Law Judge

We concur:

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Teresa A. Stanley  
Administrative Law Judge

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Andrew Wong  
Administrative Law Judge

Date Issued: 11/6/2025