

3. FTB accepted appellants' return as filed but denied the claim for refund due to the expiration of the statute of limitations.
4. Appellants filed this timely appeal.

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 Benemi Partners, L.P.*, 2020-OTA-144P.) There is no reasonable cause or equitable basis for suspending the statute of limitations. (*Ibid.*) 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.*)

Appellants failed to file a 2019 tax return by: (1) June 15, 2020, the extended due date for individuals residing or traveling outside of the U.S. on April 15; (2) July 15, 2020, the postponed due date due to COVID-19;¹ or (3) October 15, 2020, the extended due date for the return. (R&TC, § 18567(a)(2)(A), (a)(1); Cal. Code Regs., tit. 18, § 18567(a).) Therefore, the first four-year statute of limitations period described in R&TC section 19306(a) is inapplicable because appellants did not file a return within an extension of time to file. The second four-year statute of limitations period runs from the original due date for 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 tax return for the 2019 taxable year on May 24, 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' nonwage withholding credits 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 the withholdings on or before April 15, 2021.

¹ See *State Postpones Tax Deadlines Until July 15 Due to COVID-19 Pandemic*, news release (Mar. 18, 2020) <https://www.ftb.ca.gov/about-ftb/newsroom/news-releases/2020-3-state-postpones-tax-deadlines-until-july-15-due-to-the-covid-19-pandemic.html>. In response to COVID-19, FTB postponed the due dates for returns, payments, and refund claims to July 15, 2020.

Appellants contend their claim for refund is timely because they resided in Saudi Arabia during taxable year 2019, and their 2019 filing due date pursuant to R&TC section 18567(a)(2)(A) was June 15, 2020. Consequently, appellants assert that the first four-year statute of limitations period expired on June 15, 2024, making their return timely. Alternatively, appellants contend that because FTB postponed the filing deadline for 2019 tax returns to July 15, 2020, so the first four-year statute of limitations expired on July 15, 2024.

The extension for taxpayers who are outside of the U.S. on April 15 and the automatic six-month extension are statutory extensions of tax filing due dates. (See R&TC, § 18567(a)(1), (a)(2)(A).) However, as discussed above, R&TC section 19306(a), with respect to the first four-year statute of limitations period, expressly states that no credit or refund shall be allowed after four years from the date the return was filed “*if filed within the time prescribed by [R&TC] [s]ection 18567,*” which includes subdivision (a)(2)(A) at issue here. (Italics added.) Appellants did not file a return before either the June 15, 2020 or the October 15, 2020 statutorily extended due dates, and therefore, the first four-year limitations period does not apply.

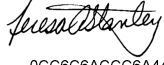
Appellants’ alternative arguments that the COVID-19 filing postponement extended the statute of limitations and that there were logistical challenges to overcome before they could file are also unavailing. FTB’s authority to grant state of emergency postponements for tax-related acts is pursuant to R&TC section 18572(b), which adopts Internal Revenue Code (IRC) section 7508A. When applying the IRC for purposes of California personal income tax, IRS Treasury Regulations shall be applicable to the extent that they do not conflict with California personal income tax code sections or regulations. (R&TC, § 17024.5.) Treasury Regulation section 301.7508A-1(b)(4) provides that “[t]o the extent that other statutes may rely on the date a return is due to be filed, the postponement period will not change the due date of the return.” Moreover, as discussed above, the first four-year statute of limitations period in R&TC section 19306(a) also applies to postponed deadlines, such that appellants must have filed a return by the postponed deadline to extend the statute of limitations. FTB’s postponement of the due date to July 15, 2020, did not change the original due date of April 15, 2020, for appellants’ 2019 tax return. (*Appeal of Nguyen*, 2025-OTA-333P.) Also, even if appellants faced logistical challenges, there is no reasonable cause or equitable basis for suspending the statute of limitations. (*Appeal of Benemi Partners, L.P.*, *supra*.) The language of the statute of limitations is explicit and must be strictly construed. (*Ibid.*)

HOLDING

Appellants' claim for refund for taxable year 2019 is barred by the statute of limitations.

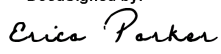
DISPOSITION

OTA sustains FTB's action denying appellants' claim for refund.

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Teresa A. Stanley
Administrative Law Judge

We concur:

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Hearing Officer

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Michael F. Geary
Administrative Law Judge

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