

**OFFICE OF TAX APPEALS
STATE OF CALIFORNIA**

In the Matter of the Appeal of:	)	OTA Case No. 250923250
Y. KIM	)	
	)	
	)	
	)	
	)	

OPINION

Representing the Parties:

For Appellant: Y. Kim

For Respondent: Ariana Macedo, Attorney

S. ELSOM, Hearing Officer: Pursuant to Revenue and Taxation Code (R&TC) section 19045, Y. Kim (appellant) appeals an action by the Franchise Tax Board (respondent) proposing additional tax of \$2,619 and applicable interest for the 2020 tax year.

Appellant elected to have this appeal determined pursuant to the procedures of the Small Case Program. Those procedures require the assignment of a single panel member. (Cal. Code Regs., tit. 18, § 30209.05(b).) Appellant 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).

ISSUES

1. Whether appellant has established error in respondent's proposed assessment, which is based upon a federal determination.
2. Whether appellant has established a legal basis to abate interest.

FACTUAL FINDINGS

1. Appellant timely filed a 2020 California Resident Income Tax Return (return), reporting total tax of \$679, withholdings of \$2,353, and an overpayment of \$1,674, which respondent subsequently refunded to appellant. Appellant's return attached federal Schedule 1, Additional Income and Adjustments to Income, reporting a student loan interest deduction of \$2,500.¹
2. The IRS subsequently provided respondent a federal report for the 2020 tax year, showing that the IRS increased appellant's federal adjusted gross income (AGI) by \$37,500 for taxable pension and annuity income and reduced the student loan interest deduction by \$1,255.² Accordingly, the IRS assessed additional tax plus interest.
3. On November 27, 2024, in accordance with the IRS's determination, respondent sent appellant a Notice of Proposed Assessment (NPA) proposing to increase California taxable income by \$37,500 for taxable pension and annuity income and to reduce the student loan interest deduction by \$1,255. Following these adjustments, respondent proposed to assess additional tax of \$2,619, plus applicable interest.
4. Appellant protested respondent's assessment.
5. On September 2, 2025, respondent issued a Notice of Action affirming the NPA.
6. This timely appeal followed. On appeal, appellant and respondent each provide an IRS Account Transcript for the 2020 tax year showing that the IRS assessed additional tax, appellant paid the additional federal tax due, and a federal balance due of zero. The federal transcript did not report that the IRS modified or cancelled its assessment.

¹ The student loan interest deduction was included in federal AGI and reported on Line 13 of appellant's California return.

² R&TC section 17201(b) conforms to Internal Revenue Code (IRC) section 221, which provides a maximum student loan interest deduction of \$2,500 during the taxable year. (IRC, §221(a), (b)(1).) The amount which would otherwise be allowable as a deduction under IRC shall be reduced (but not below zero), is limited based on modified AGI as provided under IRC section 221(b). As result of including the additional pension/annuity income in AGI, the IRS apparently reduced the student loan interest deduction by \$1,255. Appellant does not contest the reduction of the student loan interest deduction; therefore, OTA does not further address it.

DISCUSSION

Issue 1: Whether appellant has established error in respondent's proposed assessment, which is based upon a federal determination.

R&TC section 18622(a) requires a taxpayer to concede the accuracy of federal changes to a taxpayer's income or state where the changes are erroneous. It is well settled that a deficiency assessment based on a federal adjustment to income is presumed to be correct and a taxpayer bears the burden of proving that respondent's determination is erroneous. (*Todd v. McColgan* (1949) 89 Cal.App.2d 509, 514; *Appeal of Brockett* (86-SBE-109) 1986 WL 22731.) In the absence of credible, competent, and relevant evidence showing that respondent's determination is incorrect, it must be upheld. (*Appeal of Seltzer* (80-SBE-154) 1980 WL 5068.)

Here, respondent received information from the IRS that it adjusted appellant's federal AGI for the 2020 tax year. Specifically, the IRS increased appellant's AGI by pension and annuity income of \$37,500, and reduced student loan interest deductions by \$1,225. Furthermore, according to appellant's 2020 federal account transcript, appellant's AGI did not change from the amount reported by the IRS. Thus, it appears that the 2020 federal determination was not adjusted or canceled, and it is appellant's burden to show that respondent's proposed assessment is erroneous.

Appellant does not dispute the IRS's determination, but instead argues that he has already paid the additional tax due on respondent's assessment. In support of this assertion, appellant provides the IRS's account transcript for the 2020 tax year reporting his payment of federal tax and a balance due of zero. Thus, appellant appears to believe that his payment of tax to the IRS for the 2020 tax year also satisfies any additional tax owed to the state of California. Appellant further argues that respondent has not provided any evidence or documents that explain the reason for the additional tax owed.

The IRS and respondent are separate taxing agencies, and appellant's payment of tax due for federal purposes during the 2020 tax year has no bearing on the satisfaction of tax due to the state of California, as appellant appears to assert. California law conforms to federal law requiring the inclusion of income received from pension and annuities in gross income (R&TC § 17071; IRC, § 61(a)), and permits the deduction of student loan interest in determining AGI (R&TC, § 17201(b); IRC, §§ 62(a)(17), 221). Therefore, appellant is required to pay tax to the state of California based upon the increase to taxable income caused by respondent's assessment in accordance with the IRS's federal determination. (R&TC § 18622(a).) Based

upon the foregoing, appellant has not met his burden to establish error in respondent's proposed assessment. (*Appeal of Seltzer, supra.*)

Issue 2: Whether appellant has established a legal basis to abate interest.

The imposition of interest is mandatory and accrues on a tax deficiency regardless of the reason for the assessment. (R&TC, § 19101(a); *Appeal of Balch*, 2018-OTA-159P.) Interest is not a penalty but is compensation for a taxpayer's use of money which should have been paid to the state. (*Appeal of Moy*, 2019-OTA-057P.) There is no reasonable cause exception to the imposition of interest, and interest can only be abated in certain limited situations when authorized by law. (*Ibid.*)

To obtain interest relief, appellant must qualify under R&TC section 19104 (pertaining to unreasonable error or delay by respondent), 19112 (pertaining to extreme financial hardship),³ or 21012 (pertaining to reasonable reliance on the written advice of respondent). (*Appeal of Moy, supra.*) Appellant does not allege, and the record does not indicate, that any of these statutory provisions apply. Therefore, there is no legal basis for interest abatement.

HOLDINGS

1. Appellant has not established error in respondent's proposed assessment, which is based upon a federal determination.
2. Appellant has not established a legal basis to abate interest.

DISPOSITION

Respondent's action is sustained.

DocuSigned by:

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Seth Elsom
Hearing Officer

Date Issued: 6/18/2026

³ OTA does not have the legal authority to review respondent's interest determinations under R&TC 19112. (*Appeal of Moy, supra.*)