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OFFICE OF TAX APPEALS

STATE OF CALIFORNIA

In the Matter of the Appeal of: **H. PAYNE AND** **D. PAYNE**	OTA Case No. 240315595

OPINION

Representing the Parties:

For Appellants: H. Payne
D. Payne

For Respondent: Amelia Breen, Attorney

K. LONG, Administrative Law Judge: Pursuant to Revenue and Taxation Code (R&TC) section 19324, H. Payne and D. Payne (appellants) appeal an action by respondent Franchise Tax Board (FTB) denying appellants' claim for refund of $2,135 for the 2017 tax year.

Appellants 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).) 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

Whether appellants' claim for refund is barred by the statute of limitations.

FACTUAL FINDINGS

1. On March 20, 2018, appellants filed a timely joint California Resident Income Tax Return for the 2017 tax year. After applying withholding credits of $11,189, appellants reported a tax due of $914. On April 15, 2018, appellants remitted payment of $914, satisfying the self-assessed liability. FTB processed and accepted the return as filed.
2. On October 25, 2023, appellants filed an amended return for the 2017 tax year. The amended return claimed an overpayment and refund of $1,221.
3. FTB accepted the amended return as filed.

4. On January 16, 2024, FTB issued a letter denying appellants' claim for refund of $2,135. FTB informed appellants that the statute of limitations to claim a refund had expired.
5. This timely appeal followed.
6. On appeal, appellants provide the following:
   a. A Combat-Related Special Compensation (CRSC) letter dated October 3, 2023, issued to appellant H. Payne from the United States Department of The Navy indicating that his application for CRSC was approved. The CRSC letter provides that there is a six-year statute of limitations to file CRSC claims pursuant to 31 U.S.C. section 3702(b).
   b. Letters issued to appellants by the federal Taxpayer Advocate. The most recent letter, dated September 23, 2025, indicates that the IRS appeals office received a federal appeal from appellants as of September 18, 2025. The September 23, 2025, letter indicates that the Taxpayer Advocate would contact appellants by November 19, 2025.
7. During this appeal, FTB provides a copy of appellants' 2017 federal account transcript, which shows no activity on appellants' federal account after appellants filed their federal return and remitted their federal tax.

DISCUSSION

R&TC section 19311(a) provides for a two-year statute of limitation period for filing a refund claim based on changes or corrections made or allowed by the IRS or other officer of the United States or other competent authority. This limitation period begins to run from the date of the final federal determination. (R&TC, § 19311(a)(1), (2).) A federal determination is final as of date on which each adjustment or resolution resulting from an IRS examination is assessed pursuant to Internal Revenue Code (IRC) section 6203. (R&TC, § 19311(a), 18622(d).) An assessment is made by recording the liability on the taxpayer's record in accordance with the rules and regulations prescribed by the IRS. (IRC, § 6203.) A Master File Transcript, such as an Individual Master File (IMF), or an IRS Account Transcript is a valid record of assessment that contains the items of information listed in the regulation. (See Rev. Rul. 2007-21, 2007-14 I.R.B. 865 [concluding that there is no requirement in the statute or regulation that the assessment be recorded on a specific form].)

R&TC section 19306 provides that no credit or refund shall 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 within the extended filing period pursuant to an extension of time to file; (2) four

years from the due date prescribed for filing the return (determined without regard to any extension of time for filing the return); or (3) one year from the date of the overpayment. (R&TC, § 19306(a).) For individuals, California state income tax returns filed on a calendar year basis are due on the fifteenth of April following the close of the calendar year. (R&TC, § 18566.) For purposes of the one-year statute of limitations, any tax deducted and withheld during any calendar year is deemed to have been paid on the original due date for filing the return. (R&TC, § 19002(c)(1).)

The language of R&TC section 19306 is explicit and must be strictly construed without exception. (*Appeal of Cornbleth*, 2019-OTA-408P.) There is generally no reasonable cause or equitable basis to suspend the statute of limitations. (*Appeal of Benemi Partners, L.P.*, 2020-OTA-144P.) This is true even when it is later shown that the tax was not owed in the first place. (*Ibid*.) While fixed deadlines may appear harsh because they can be missed, the resulting occasional harshness is redeemed by the clarity imparted. (*Ibid*.) The taxpayer has the burden of proof in showing entitlement to a refund and that the claim for refund is timely. (*Appeal of Jacqueline Mairghread Patterson Trust*, 2021-OTA-187P.)

On appeal, appellants contend that the statute of limitations to file a claim for refund should be waived based on their receipt of the CRSC letter. Appellants also assert that there is an ongoing federal claim.

Here, OTA notes that United States Code title 31, section 3702(b) creates a six-year statute of limitations for certain claims against the federal government. However, California does not conform to this federal claims statute, and it has no impact on California's filing requirements. Next, the September 23, 2025 Taxpayer Advocate Service Letter is evidence that, at that time, appellants had an ongoing appeal with the IRS. However, appellants have not provided any communication beyond the September 23, 2025 Taxpayer Advocate letter indicating that appellants' federal claim continued to be under consideration. Appellants also have not provided evidence that the IRS made an adjustment to appellants' federal liability or issued a refund to appellants. Accordingly, OTA finds that the federal six-year statute of limitations set forth in 31 U.S.C. section 3702(b) and the statute of limitations set forth in R&TC section 19311 do not apply here.

As to the general statute of limitations under R&TC section 19306, appellants filed a timely return for the 2017 tax year. As such, the statute of limitations under R&TC section 19306 began to run on April 15, 2018, and expired four years later, on April 15, 2022. Appellants filed their claim for refund on October 25, 2023, which is after the four-year statute of limitations expired. The alternative one-year statute of limitations applies

only to payments made within one year of the date the claim for refund is filed. Here, appellants' payments and withholding credits are deemed paid on April 15, 2018. Appellants did not file their claim for refund until October 25, 2023, which is more than one year from April 15, 2018. Therefore, FTB is barred by the four-year and the one-year statute of limitations from refunding or crediting any overpayment for the 2017 tax year.

HOLDING

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

DISPOSITION

FTB's action denying appellants' claim for refund is sustained.

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Keith T. Long
Administrative Law Judge

Date Issued: 8/17/2026