

## **Franchise Tax Board Notices Frequently Asked Questions (FAQs)**

**Q: What is the Franchise Tax Board program?**

A: As a result of recent state legislation, the California State Franchise Tax Board (FTB) is authorized to disclose to local jurisdictions and government agencies certain records related to business activities of residents, corporations, and other entities within the City. By matching the data to our existing records we are able to identify unregistered businesses within the City.

**Q: Why did I receive a FTB notification?**

A: Our records from the FTB show that you or the named business entity is reporting some type of business activity to the FTB using a City of Orange address. This indicates you may be operating a business in the City and have not yet obtained a City of Orange Business License Tax Certificate.

**Q: I am not doing “business.” What does the City of Orange consider to be a business and why do they think I am operating one?**

A: Orange Municipal Code 5.15.040 defines business as “professions, trades, commercial enterprises and occupations in all and every kind of calling whether or not carried on for profit.”

Furthermore, State law (Business & Professions Code 16300) requires cities to use the way a taxpayer reported income to the IRS and FTB to determine whether the taxpayer performed services as an employee or as a separate business entity. A person who is an employee and whose income is reported on a W-2 is not in business and is not subject to the business tax.

**Q: I do some consulting from my home on a part-time basis. Do I have to get a City Business License?**

A: Yes, businesses both large and small are required to obtain a Business License to be in compliance with the Orange Municipal Code. If the consulting work is performed as an independent contractor from a location within the City limits, such as your residence, you are required to pay your business tax.

**Q: I received a 1099 Form instead of a W-2 from my work. Am I required to have a City of Orange Business License?**

A: Yes, those that work as an independent contractor and are reported on a 1099 Form instead of a W-2 need to have a City of Orange Business License. State law (Business & Professions Code 16300) prohibits the imposition of business license tax on employees.

**Q: I live in Orange, but my business is located outside the city limits. Do I need to get a City of Orange Business License?**

A: If the location of your business and all business activity is conducted outside the City of Orange, there is no need to obtain a City of Orange Business License. However, if you are conducting business from your residence, or your residence is your business location, or it is the headquarters of your business, you will need to obtain a City of Orange Business License. You may not use another business’s location for your own business location unless you are renting space from them.

**Q: I do not feel I conduct business here and I want to be taken off your list. What remedies are available to me?**

A: You may complete a Business License Tax Review form, also available on the website. Answer the list of questions on this and send it in. The information will be reviewed and you will either be contacted for more information or removed from our database.