

# Tax Return Postmortem:

What Actually Happened with 2007 California  
Registered Domestic Partner Tax Returns?

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# Agenda

- RDP Statistics – who paid more, who paid less
- Procedural Challenges – tax preparation issues
- Client Survey – how do the RDPs feel about it
- FTB's Experience – issues and statistics
- Tax Issues – encountered & anticipated
- Q & A

# Statistics

- **Sample Population - 114 RDP couples**
- **Used a paid tax preparer**
- **Majority filed their returns by April 15th**

Thank you

*Courtney, Steve Vezeris, Linda Shear, Pan Haskins, Jan Zobel &  
Karen Stogdill*

*Barbara Zoloth, Statistician*

# Overall Statistics

## ■ Combined averages:

- On average our RDP couples *saved less than 1/2%* in California taxes
- Average savings per RDP couple = \$ 39

## ■ Individual couples:

- Maximum tax savings = \$ 2,773
- Maximum tax cost = \$ 2,363

# HoH Statistics

## ■ Combined averages:

- On average our RDP couples with a Head of Household *paid 5.5% more* in California taxes
- Average cost per RDP couple = \$ 567

## ■ Individual couples:

- Maximum tax savings = \$ 1,523
- Maximum tax cost = \$ 2,051

# HoH Couple - Example

## Head of Household / Single

<u>CA</u>	<u>A</u> <u>HoH</u>	<u>B</u> <u>Single</u>	<u>Old Law</u> <u>Total</u>	<u>New Law</u> <u>RDP/MFJ</u>	<u>Change</u>
<b>AGI</b>	<b>\$ 36,626 +</b>	<b>44,365 =</b>	<b>\$ 80,991</b>	<b>\$ 80,990</b>	<b>-\$ 1</b>
<b>Tax</b>	<b>\$ 485 +</b>	<b>550 =</b>	<b>\$ 1,035</b>	<b>\$ 1,630</b>	<b>\$ 595</b>

# Single Statistics

## ■ Combined averages:

- On average our RDP couples with single status *paid 4.5% less* in California taxes
- Average savings per RDP couple = \$ 392

## ■ Individual couples:

- Maximum tax savings = \$ 2,773
- Maximum tax cost = \$ 2,363

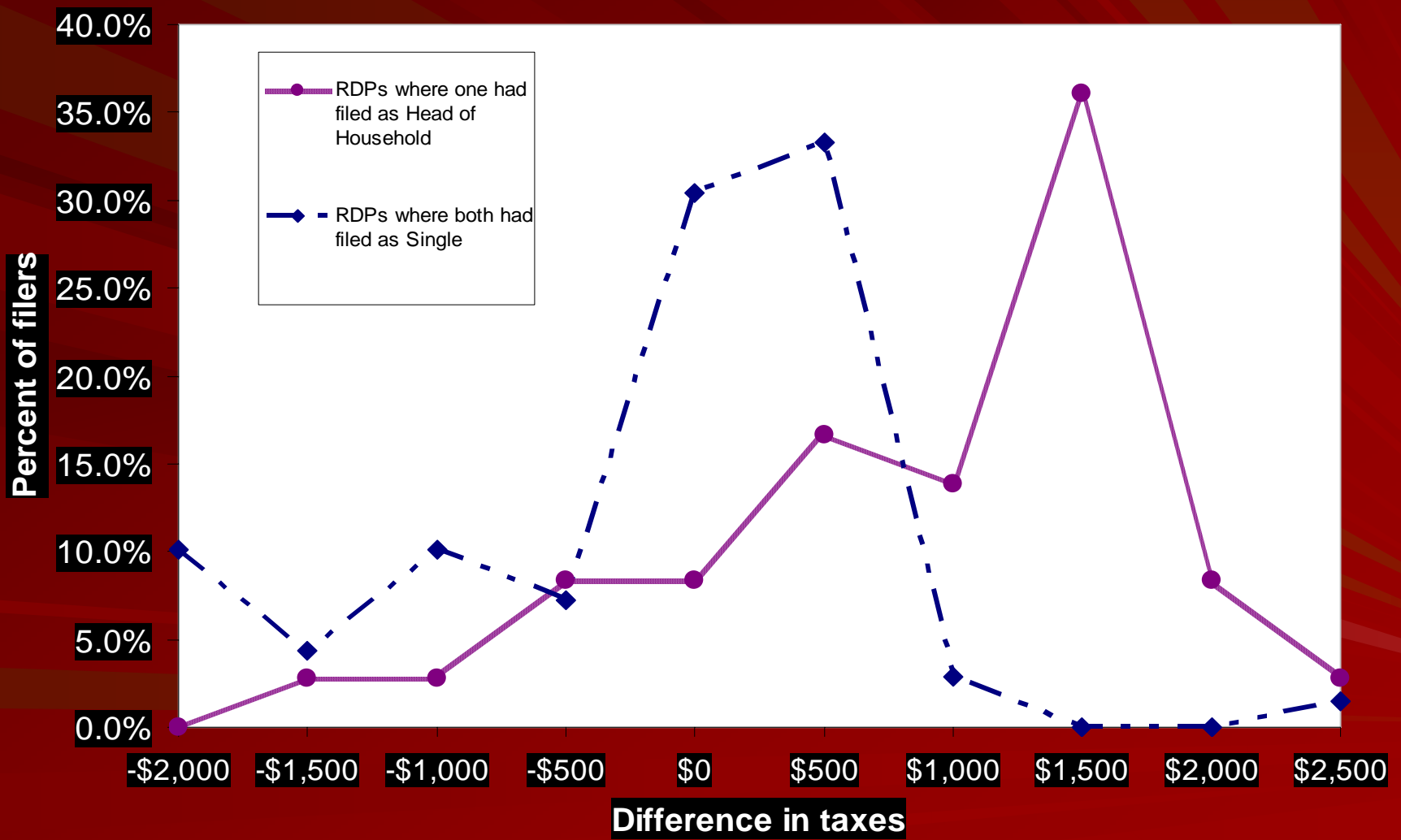
# Single Couple - Example

## Single / Single

<u>CA</u>	<u>A</u> <u>Single</u>	<u>B</u> <u>Single</u>	<u>Old Law</u> <u>Total</u>	<u>New Law</u> <u>RDP/MFJ</u>	<u>Change</u>
<b>AGI</b>	<b>\$ 23,444 +</b>	<b>76,021 =</b>	<b>\$ 99,465</b>	<b>\$ 99,438 -</b>	<b>\$ 27</b>
<b>Tax</b>	<b>\$ 216 +</b>	<b>4,231 =</b>	<b>\$ 4,447</b>	<b>\$ 3,922 -</b>	<b>\$ 525</b>

# Overall Tax Differences

2007 Calif RDP tax difference between new law and old law



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- RDP Statistics – who paid more, who paid less
- Procedural Challenges – tax preparation issues

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- Client Survey – how do the RDPs feel about it

# RDP Client Survey

## Question # 1

From what sources did you receive information regarding the new 2007 RDP tax filing requirements?

Please rank in order of importance to you with one being the most important. Leave blank any that do not apply.

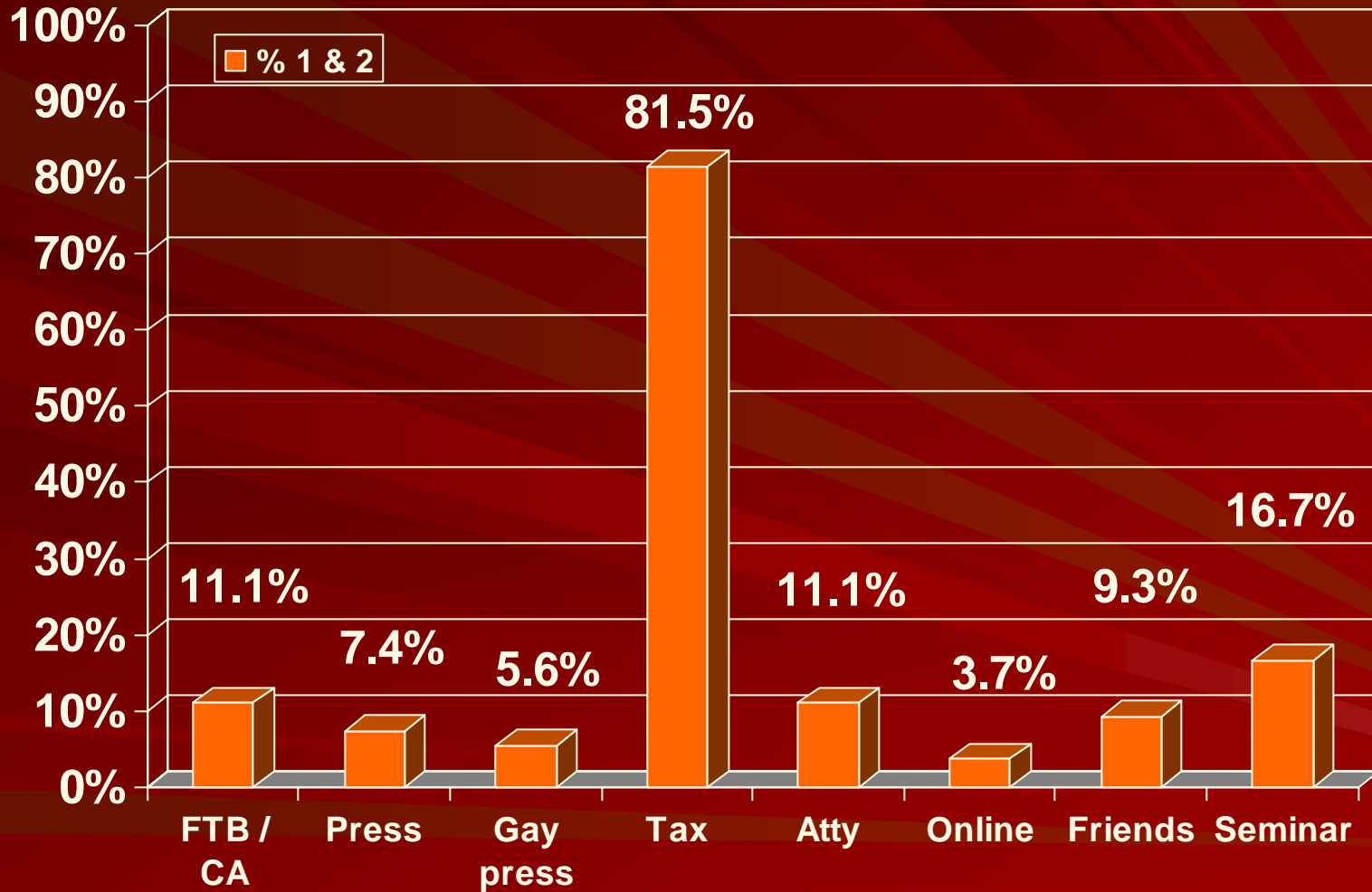
# RDP Client Survey

## Question #1 (cont.)

- Franchise Tax Board / State of California
- Mainstream press
- Gay press
- Your tax practitioner
- Your attorney
- Online forums
- Friends
- Seminars / Presentations

# RDP Client Survey Results

## Question # 1



# RDP Client Survey

## Question # 2

If any of these items were a concern for you please rank them in order of importance. Leave blank any that do not apply.

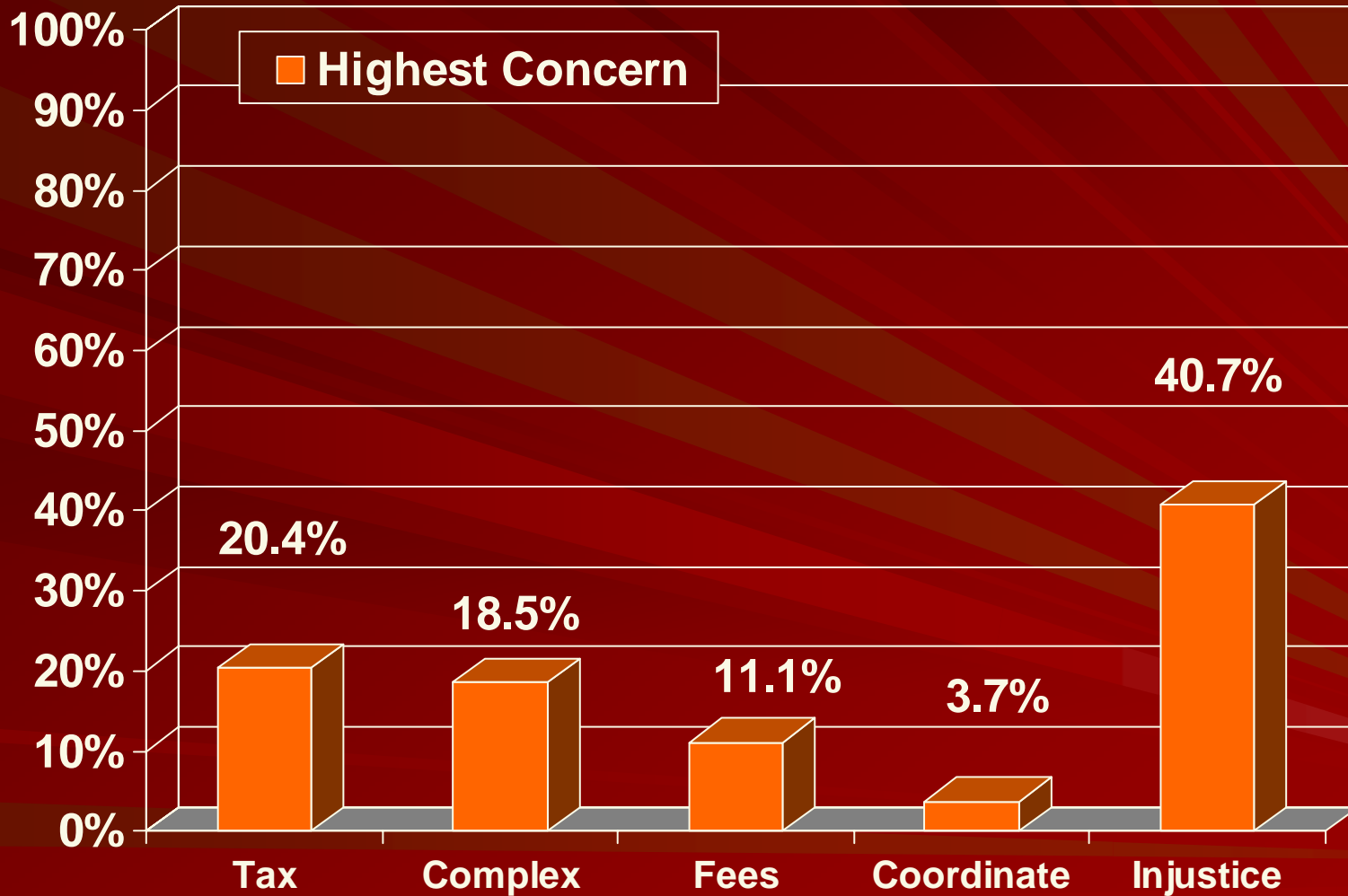
# RDP Client Survey

## Question #2 (cont.)

- Increase in California tax
- Complexity of your tax situation
- Increased expenses for tax preparation
- Coordination of taxes and finances with your partner
- Injustice that straight taxpayers are not required to use a different federal and state filing status

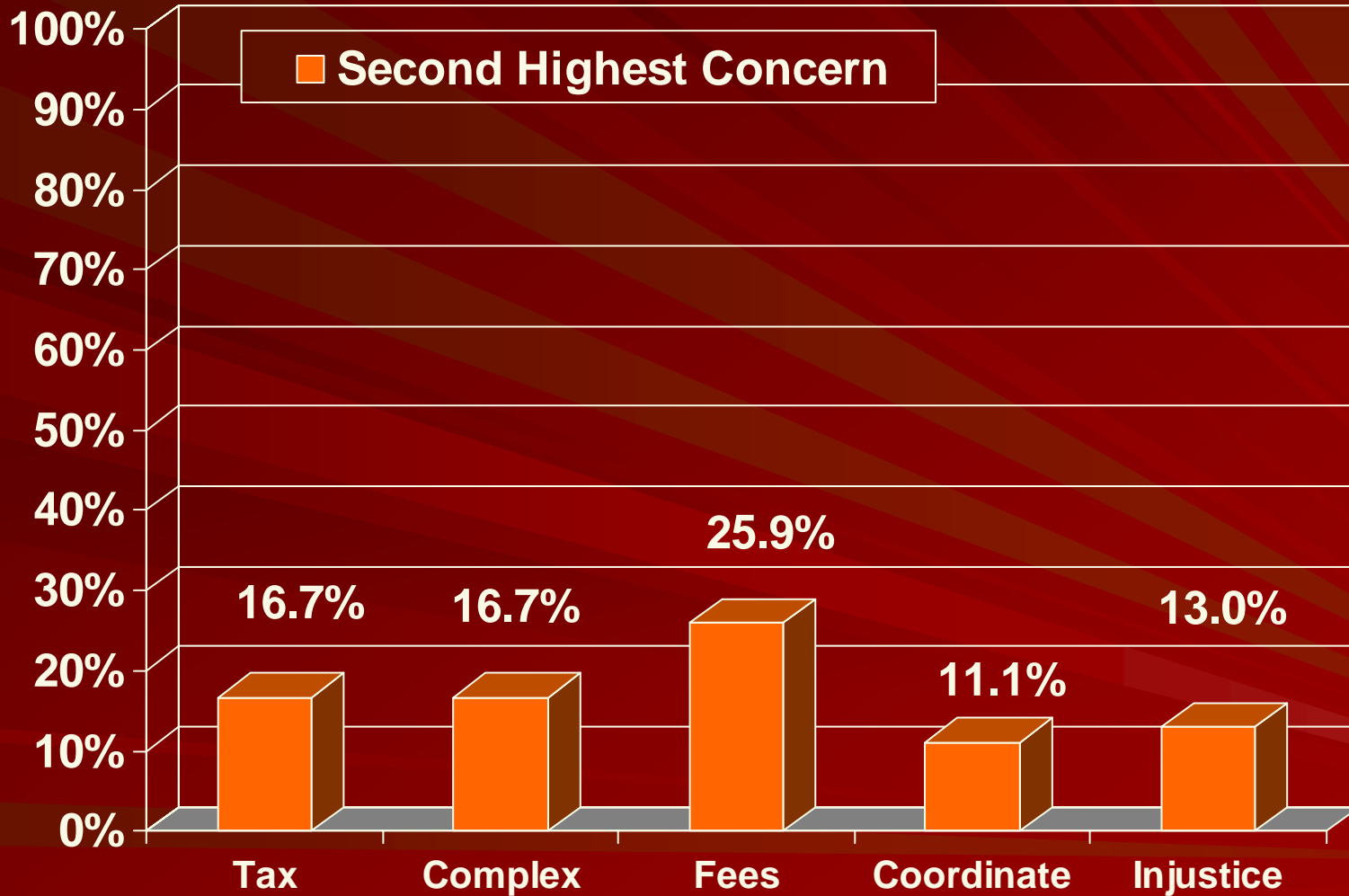
# RDP Client Survey Results

## Question # 2



# RDP Client Survey Results

## Question # 2



# RDP Client Survey

## Question # 3

If you could marry at the federal level many lesbian and gay couples would pay more (sometimes substantially more) federal income tax.

Please choose the statement that **MOST** closely reflects your feelings. Only one choice is allowed.

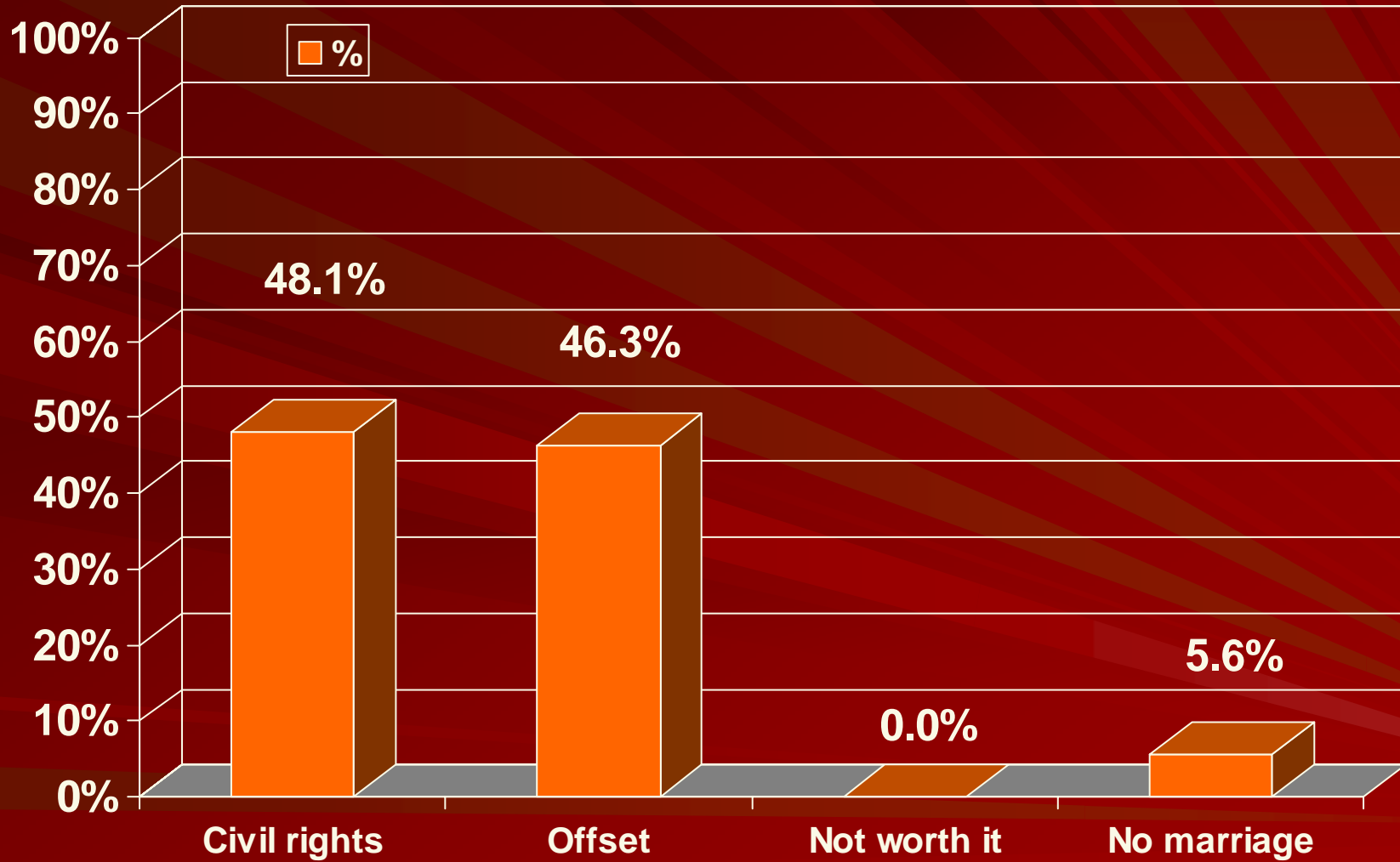
# RDP Client Survey

## Question #3 (cont.)

- Marriage is important for social acceptance/civil rights reasons regardless of the income tax consequences.
- The federal income tax impact is more than offset by the other financial benefits, i.e. social security, retirement protections, estate and gift tax advantages, etc.
- The additional federal income tax burdens make fighting for federal marriages rights not desirable to me.
- I believe in RDPships but not in marriage so the federal marriage income tax differences do not matter to me.

# RDP Client Survey Results

## Question # 3



# RDP Client Survey

## Question # 4

Did you pay more, less, or exactly the same amount of California income tax as a result of the new RDP tax filing requirements?

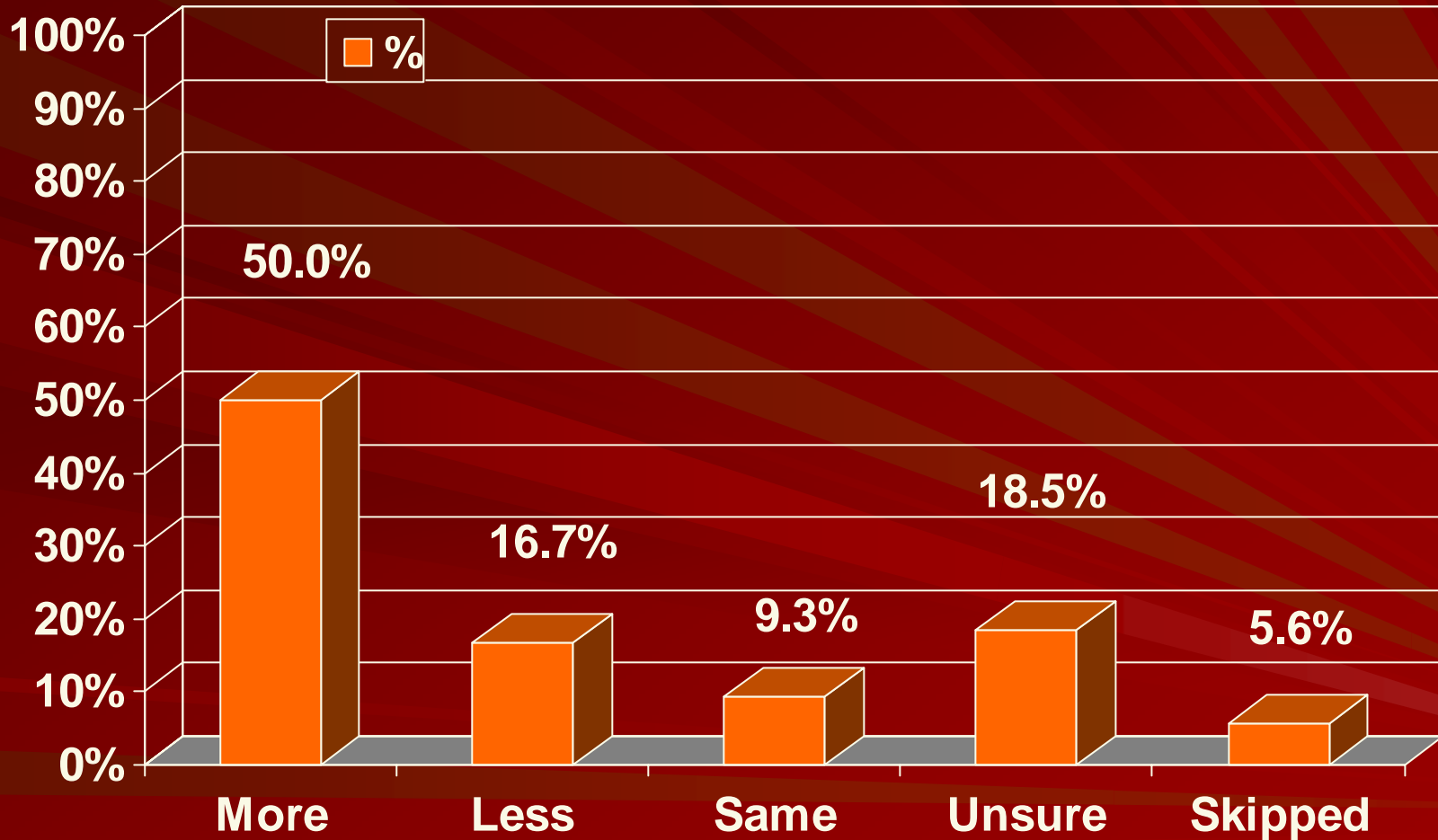
# RDP Client Survey

## Question #4 (cont.)

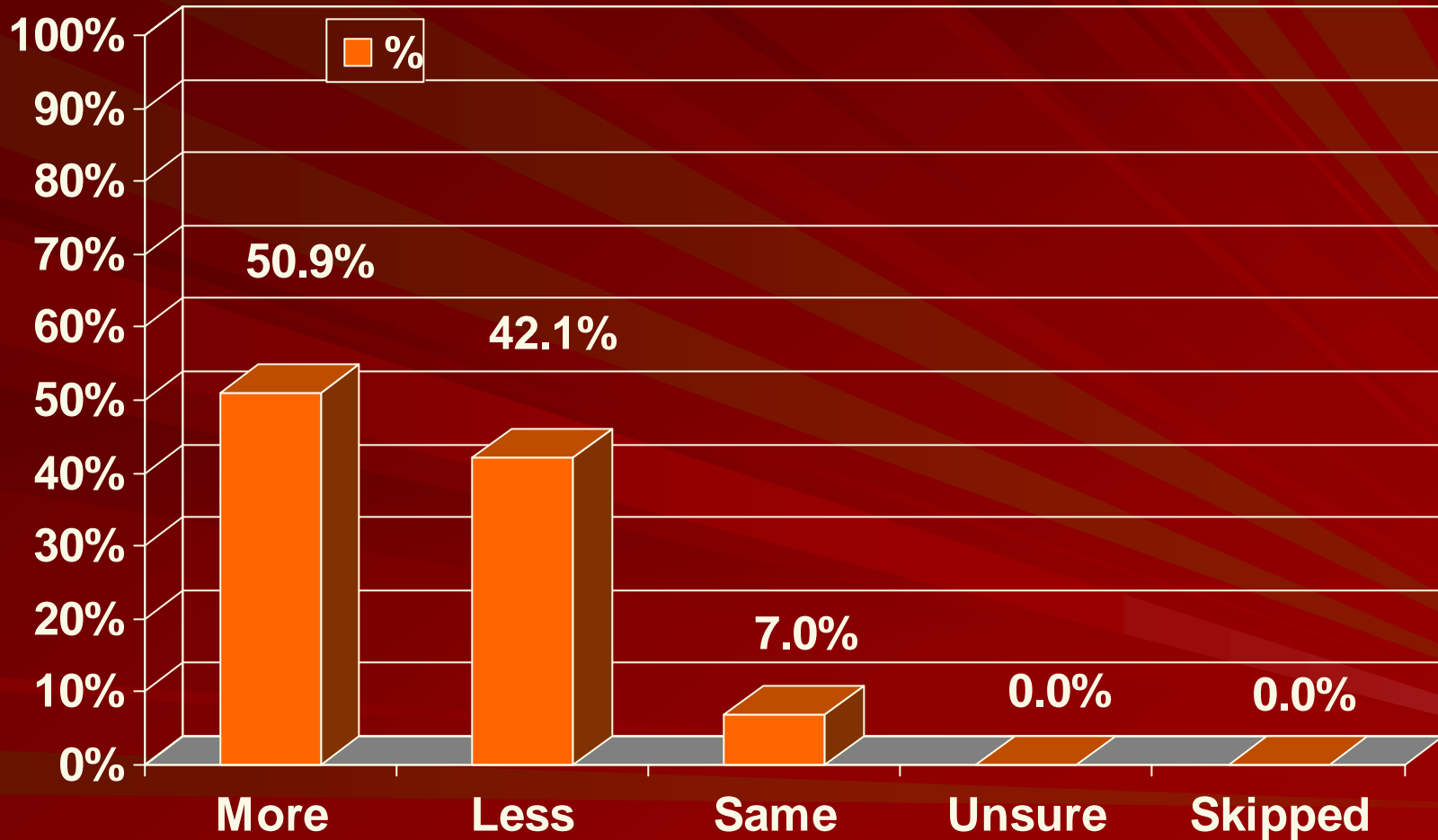
- More
- Less
- Exactly the same
- Unsure

# RDP Client Survey Results

## Question # 4



# RDP Statistical Population Question # 4



# RDP Client Survey

## Question # 5

Please check all that apply to you regarding your 2006 (last year's) tax returns:

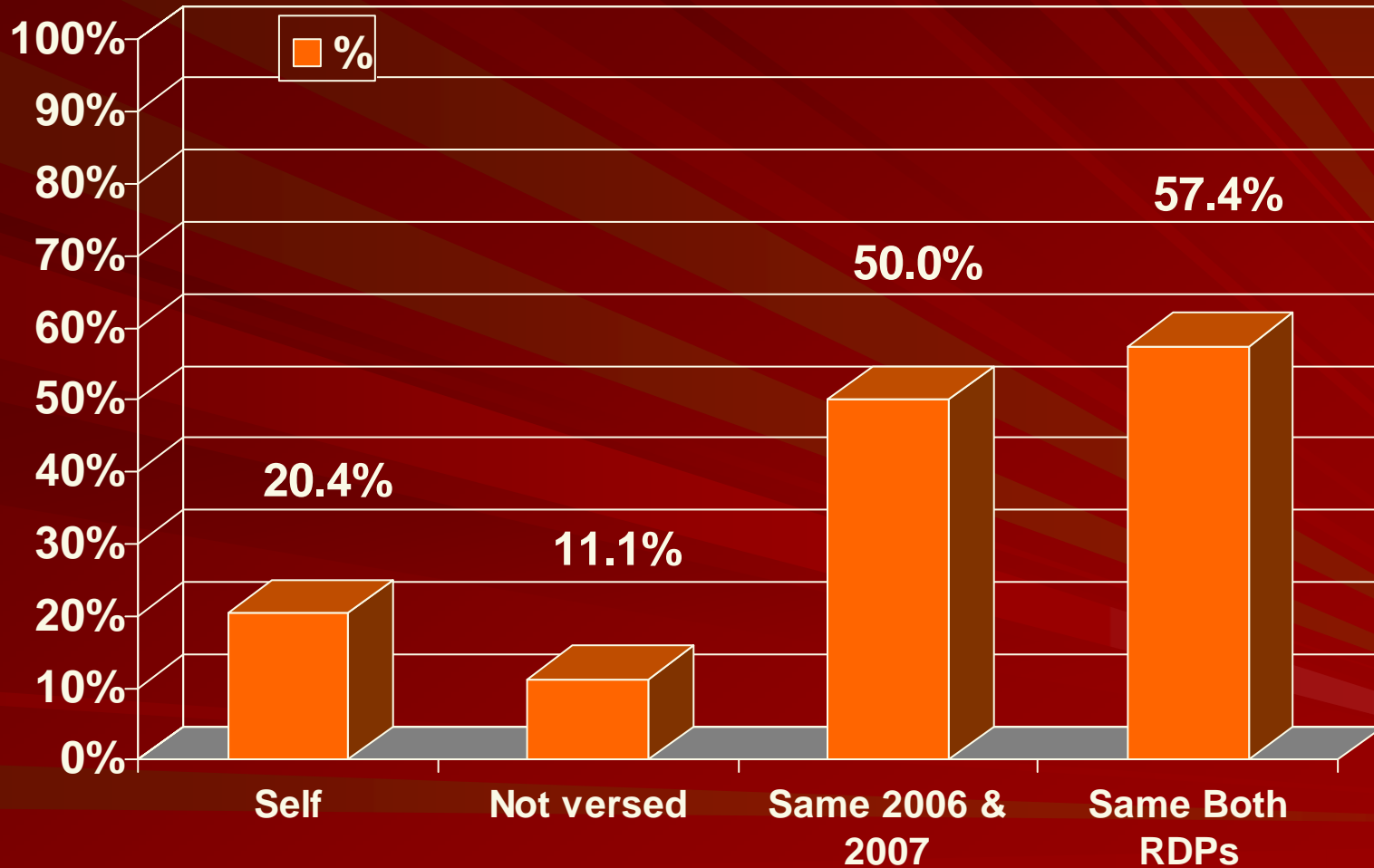
# RDP Client Survey

## Question #5 (cont.)

- I prepared my own taxes for 2006
- For 2006 I used a tax preparer who was NOT particularly versed in RDP issues and changed in 2007 because of it
- I used the same tax preparer for 2006 that I used for 2007
- My RDP partner and I both used the same tax preparer in 2006

# RDP Client Survey Results

## Question # 5



# RDP Client Survey

## Question # 6

Please check all that apply to you for your 2007 tax returns:

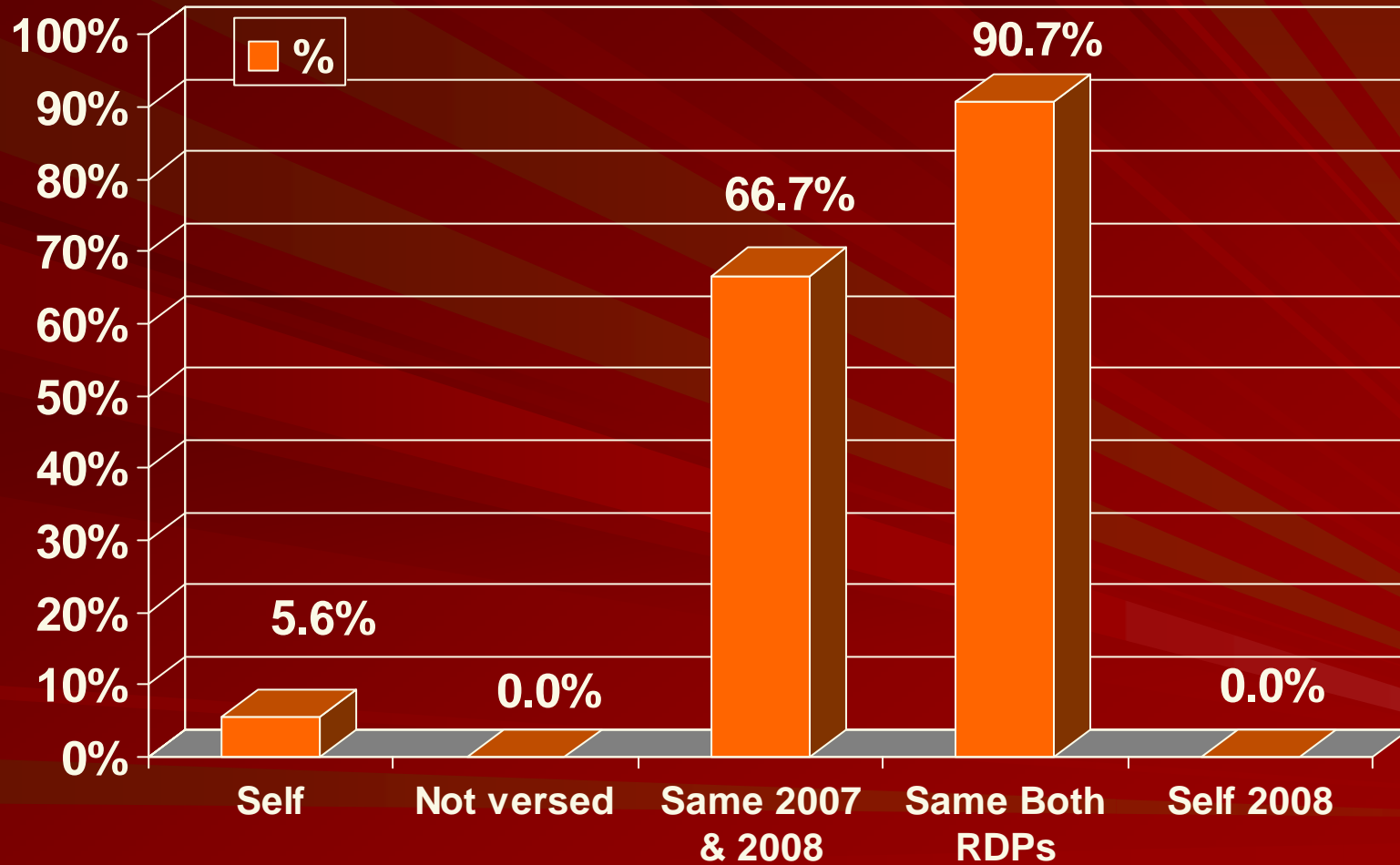
# RDP Client Survey

## Question #6 (cont.)

- I prepared my own taxes for 2007
- For 2007 I used a tax preparer who was NOT particularly versed in RDP issues and changed in 2008 because of it
- I plan to use the same tax preparer for 2008 that I used for 2007
- My RDP partner and I both used the same tax preparer in 2007
- I had my returns prepared professionally in 2007 but plan to prepare my own returns for 2008

# RDP Client Survey Results

## Question # 6



# RDP Client Survey

## Question # 7

Do you have confidence that your providers listed below are knowledgeable regarding how your RDP status impacts your situation and your dealings with them?

Check all that you DO feel confident about.

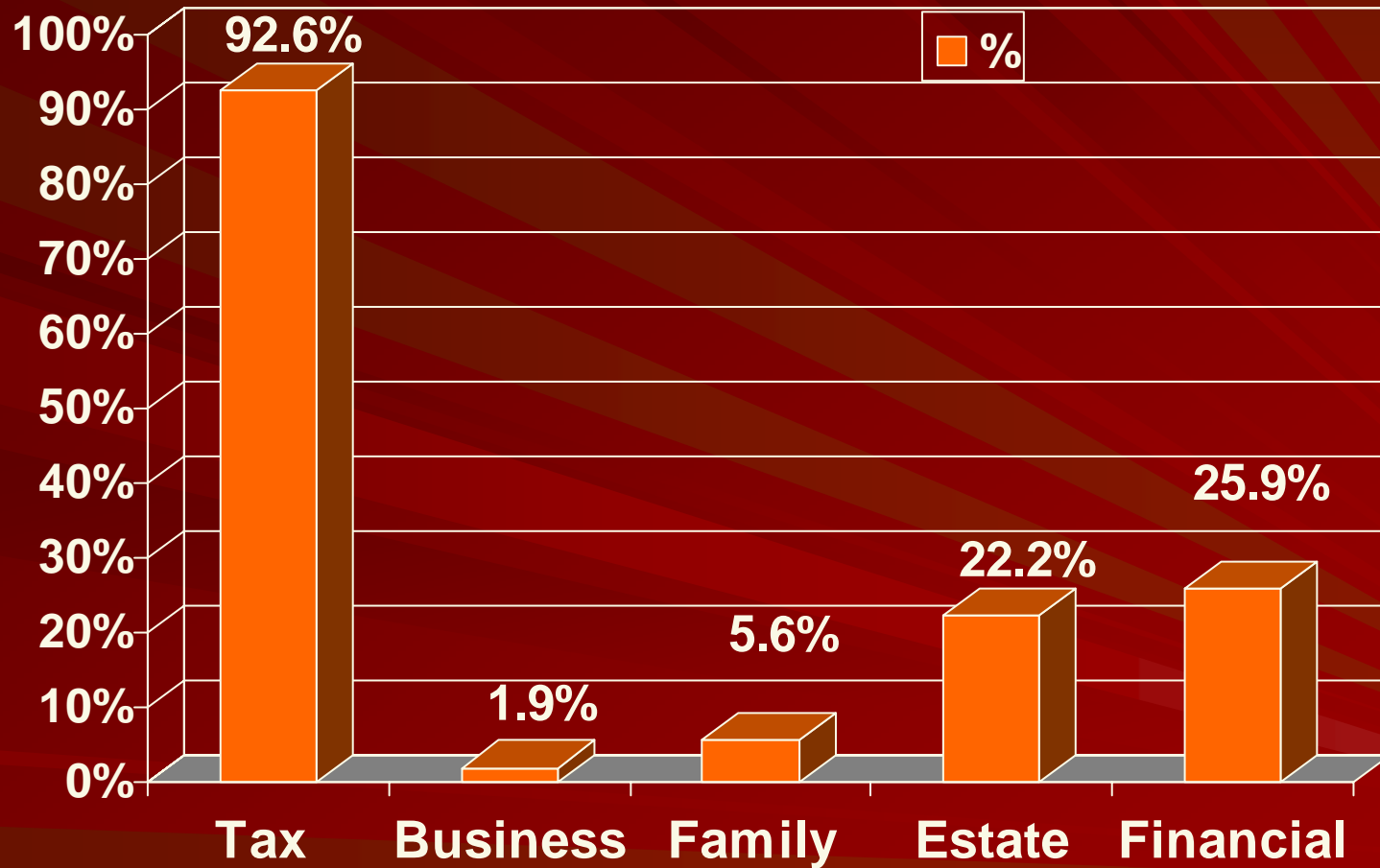
# RDP Client Survey

## Question #7 (cont.)

- Tax Practitioner
- Business attorney
- Family attorney
- Estate attorney
- Financial planner / advisor
- Insurance agent / company
- Banker
- Mortgage broker / realtor
- Retirement plan advisor / administrator
- Medical doctor / provider

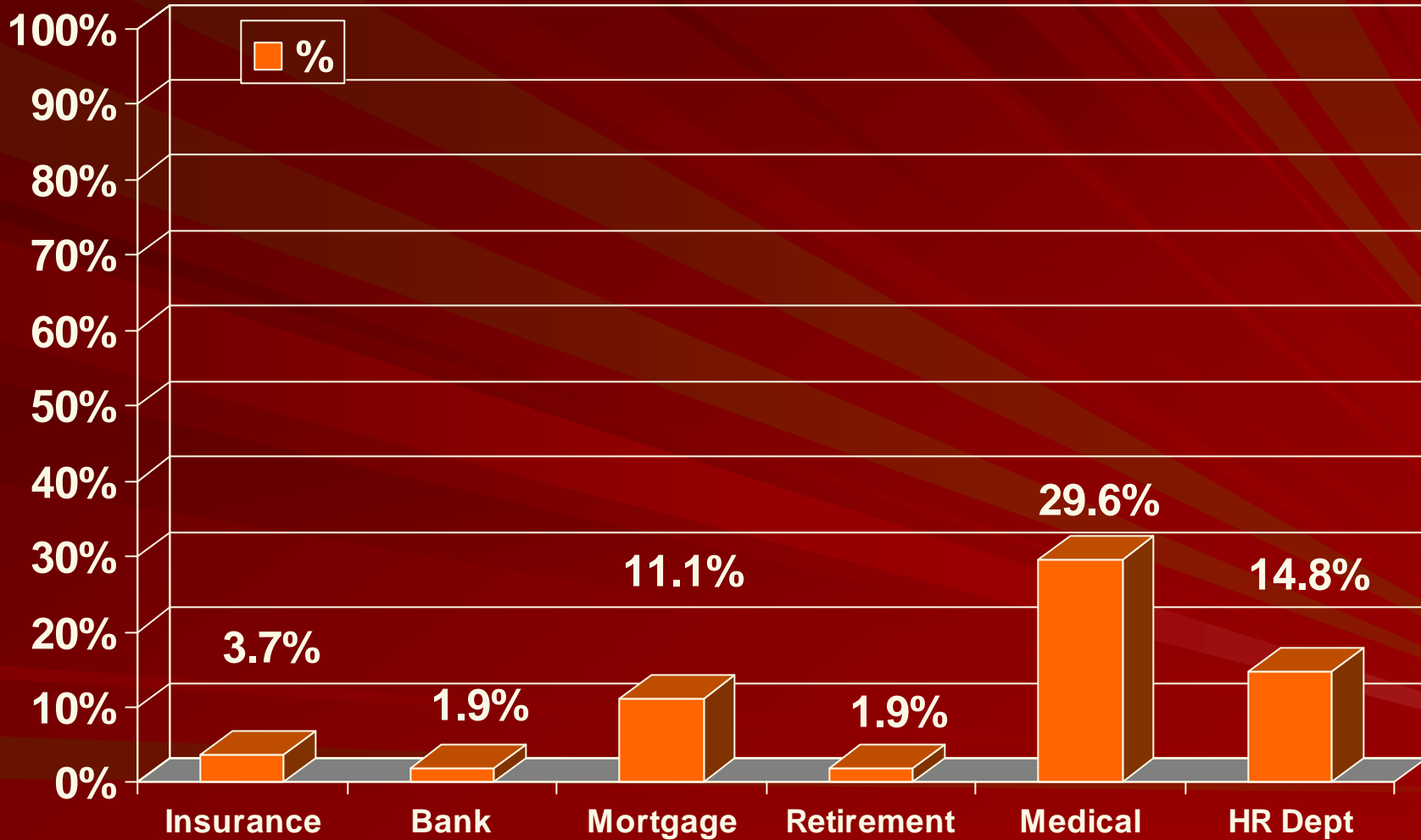
# RDP Client Survey Results

## Question # 7



# RDP Client Survey Results

## Question # 7 (cont.)



# RDP Client Survey

## Question # 8

There have been rumors that some RDP taxpayers chose to IGNORE the new filing requirements. Do you PERSONALLY KNOW any RDPs who ignored the requirements and continued to file their 2007 California tax returns using a Single or Head of Household filing status?

# RDP Client Survey

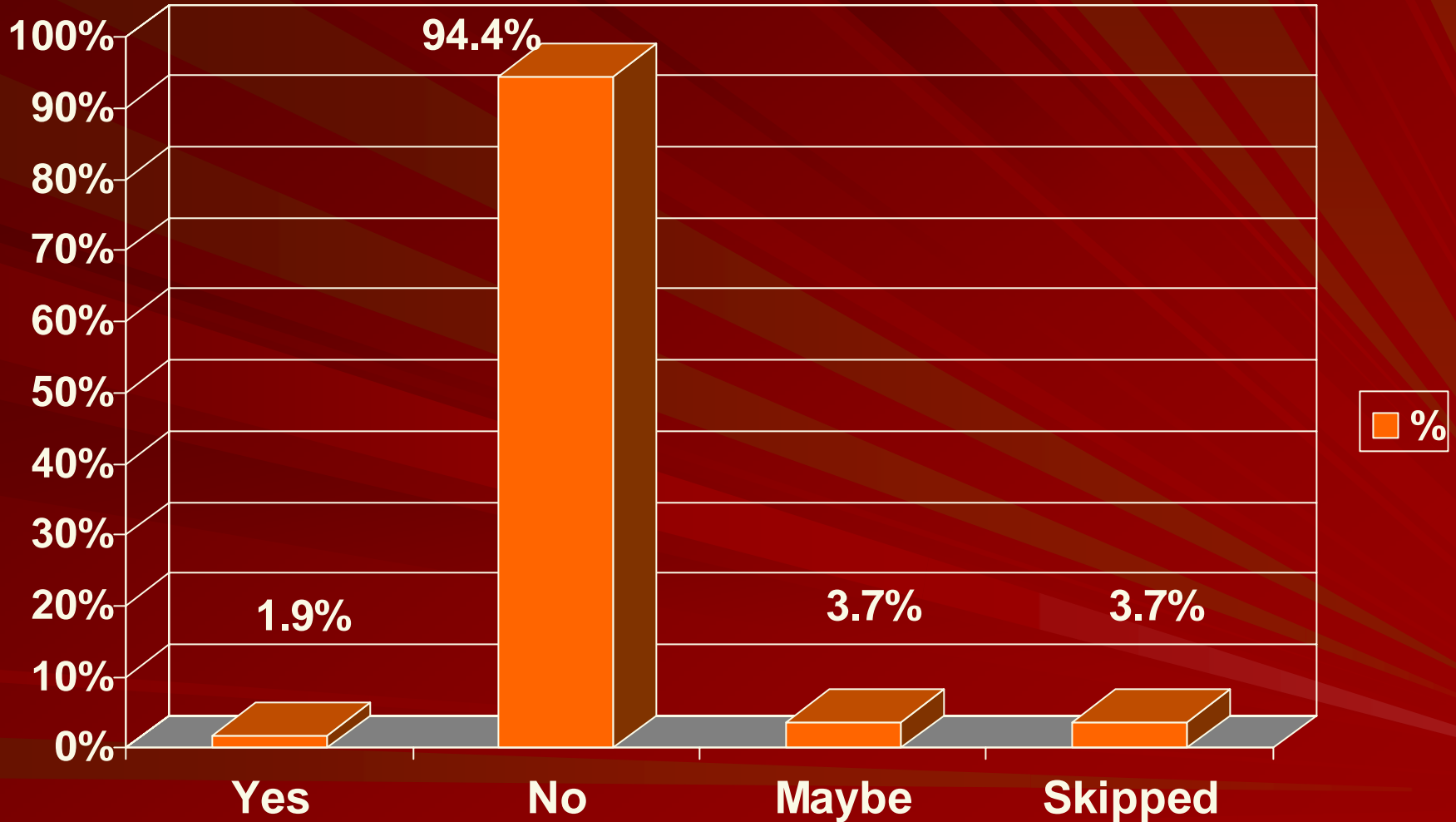
## Question #8 (cont.)

Yes

No

# RDP Client Survey Results

## Question # 8



# RDP Client Survey

## Question # 9

Please rank in terms of importance to you the following rights and responsibilities of being a California Registered Domestic Partner with one being the most important right/responsibility.

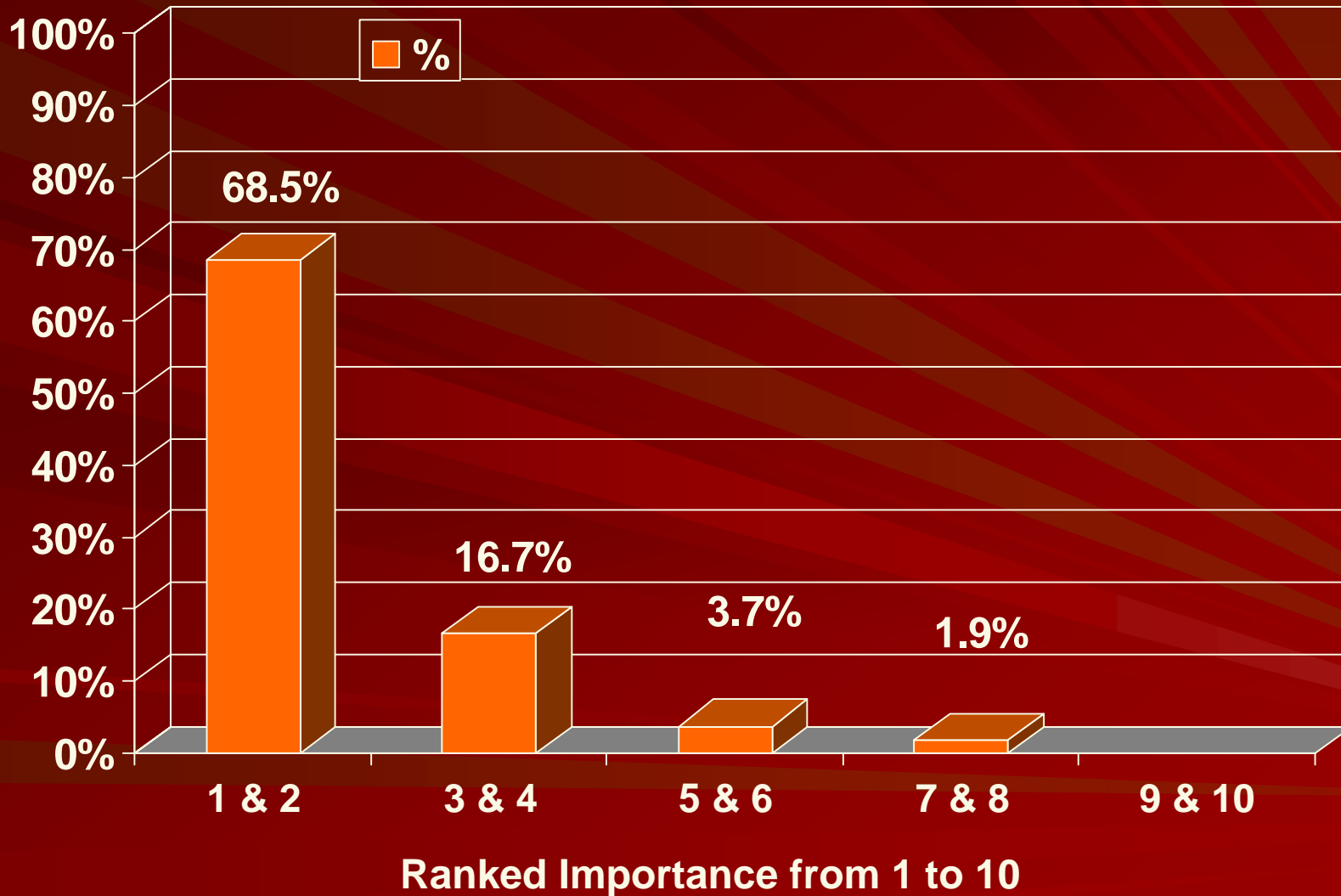
# RDP Client Survey

## Question #9 (cont.)

- Inheritance and property tax rights
- Medical care rights and access
- Rent control rights
- Wrongful death & personal injury rights
- Family Medical Leave rights
- Parent rights including adoption
- Application of Community Property
- California State Disability rights
- Right to court supervised dissolution

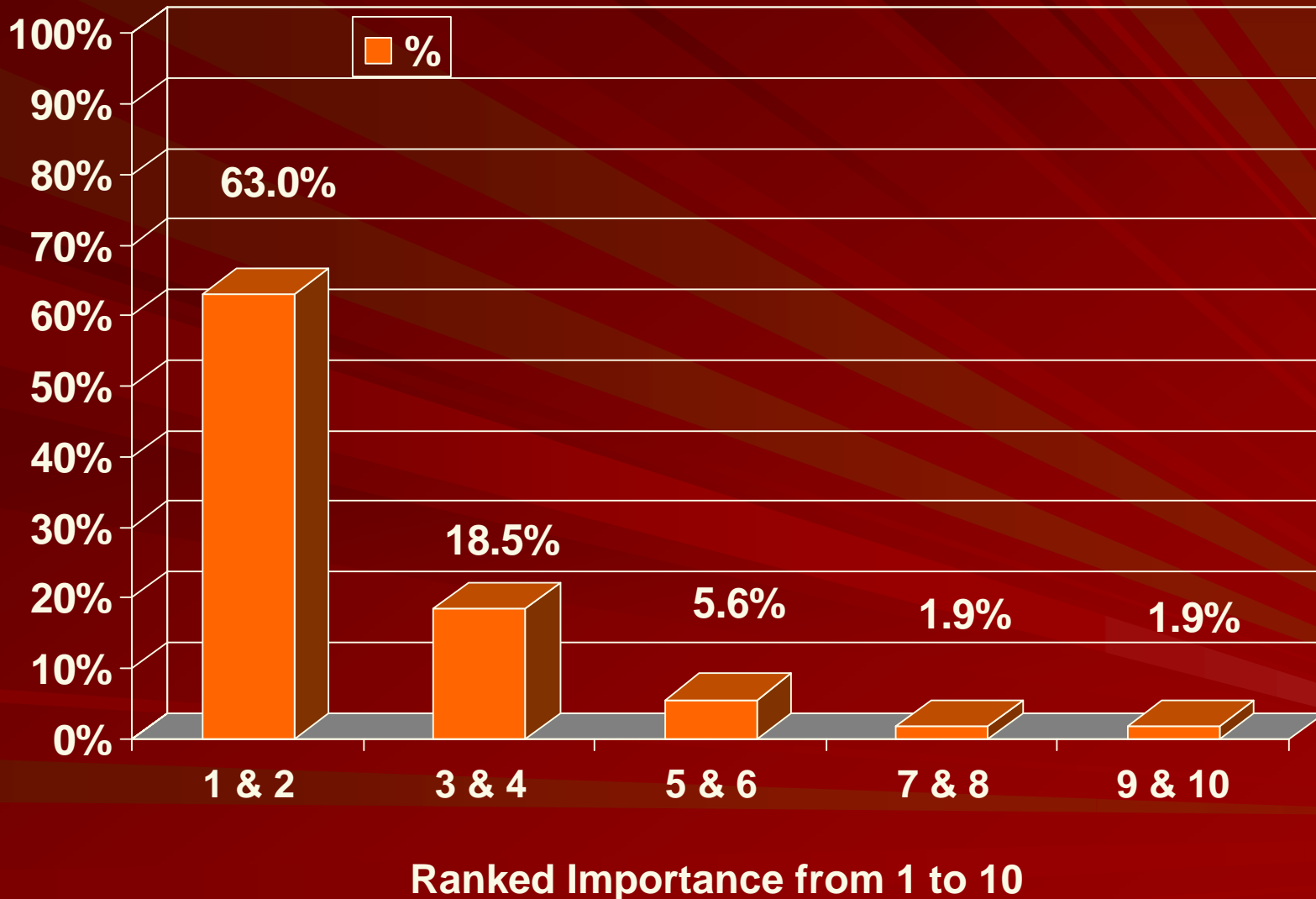
# RDP Client Survey Results

## Question # 9 – Medical care rights & access



# RDP Client Survey Results

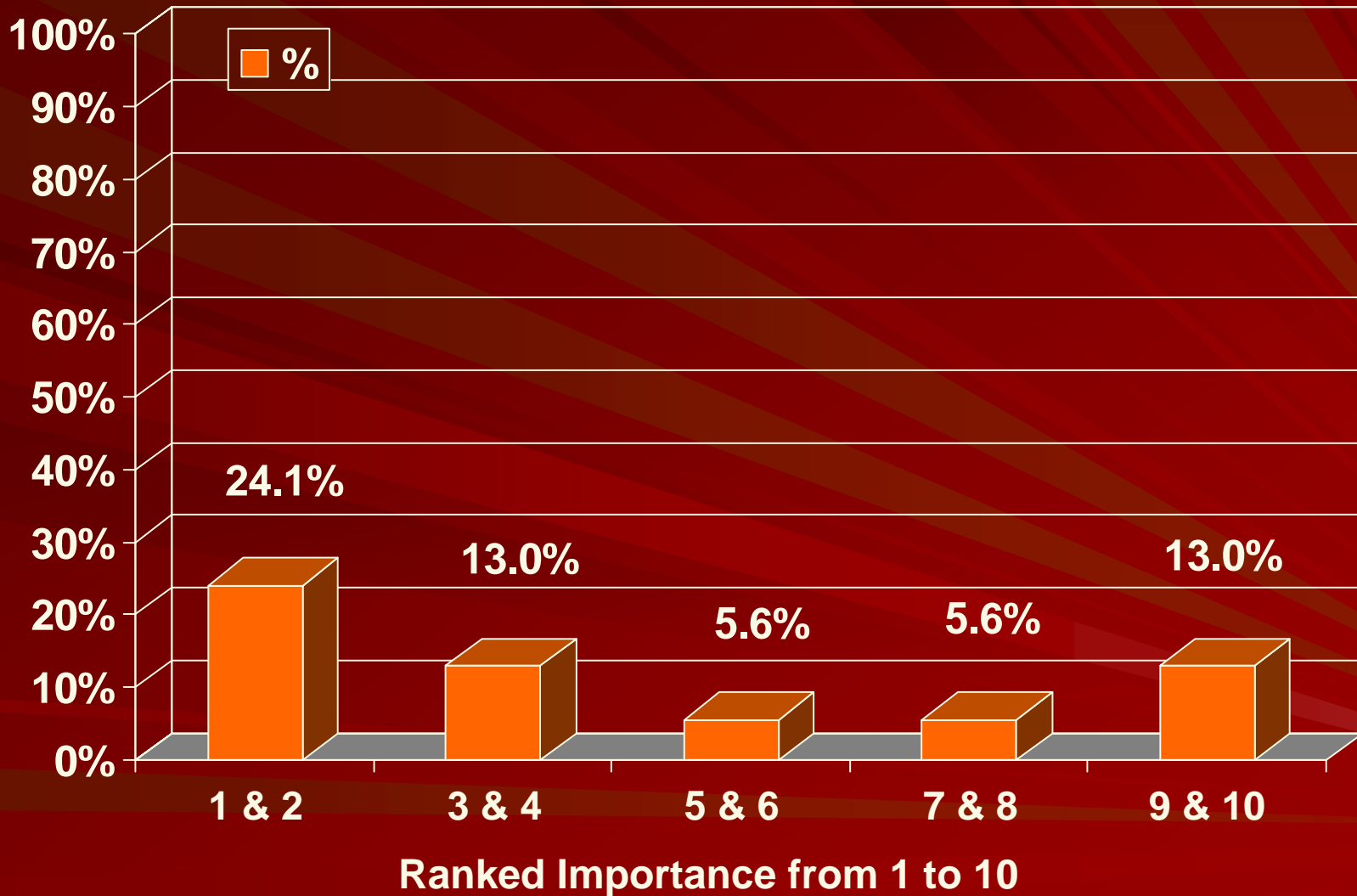
## Question # 9 – Inheritance & Property tax rights



Ranked Importance from 1 to 10

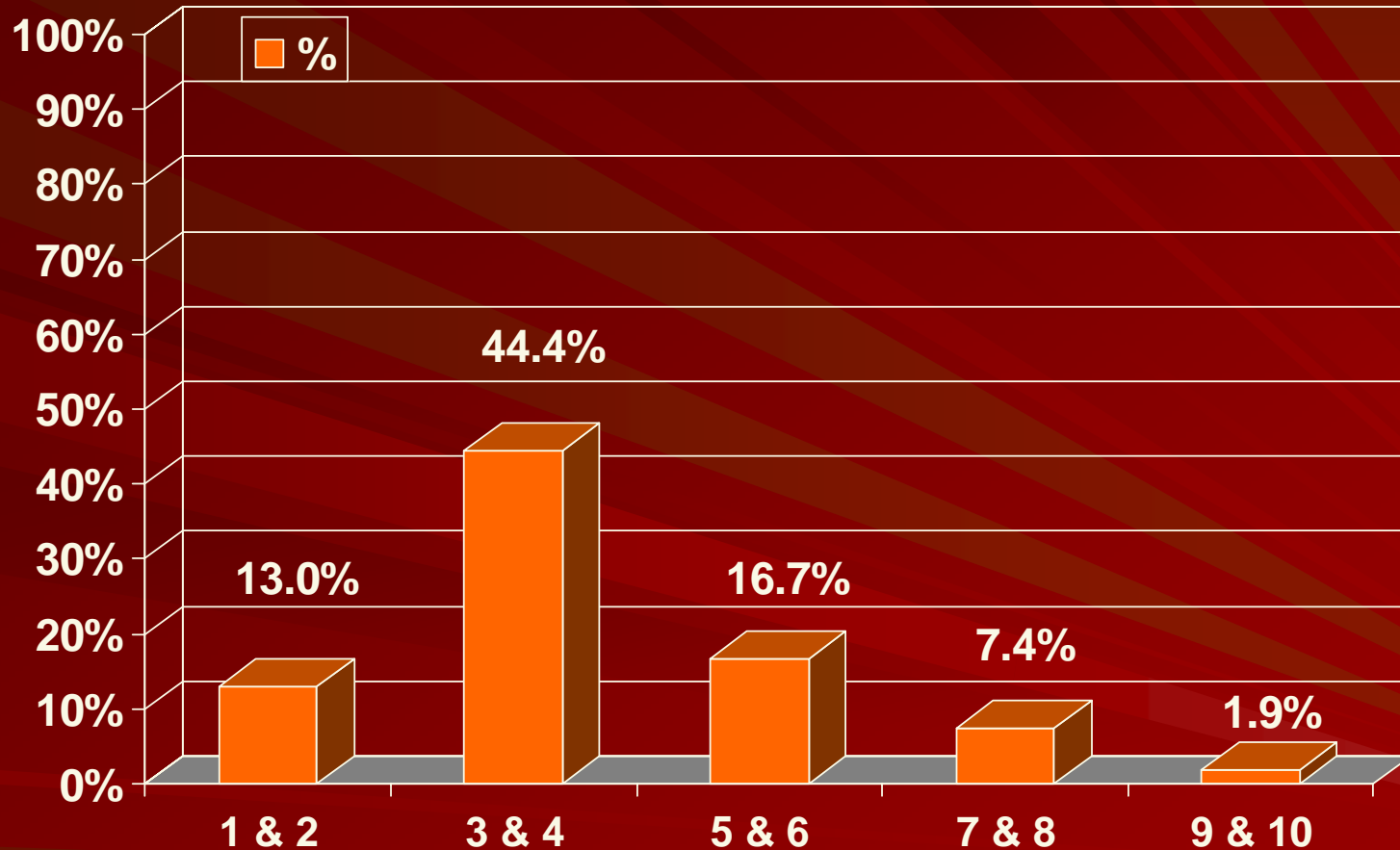
# RDP Client Survey Results

## Question # 9 – Parental rights & adoption



# RDP Client Survey Results

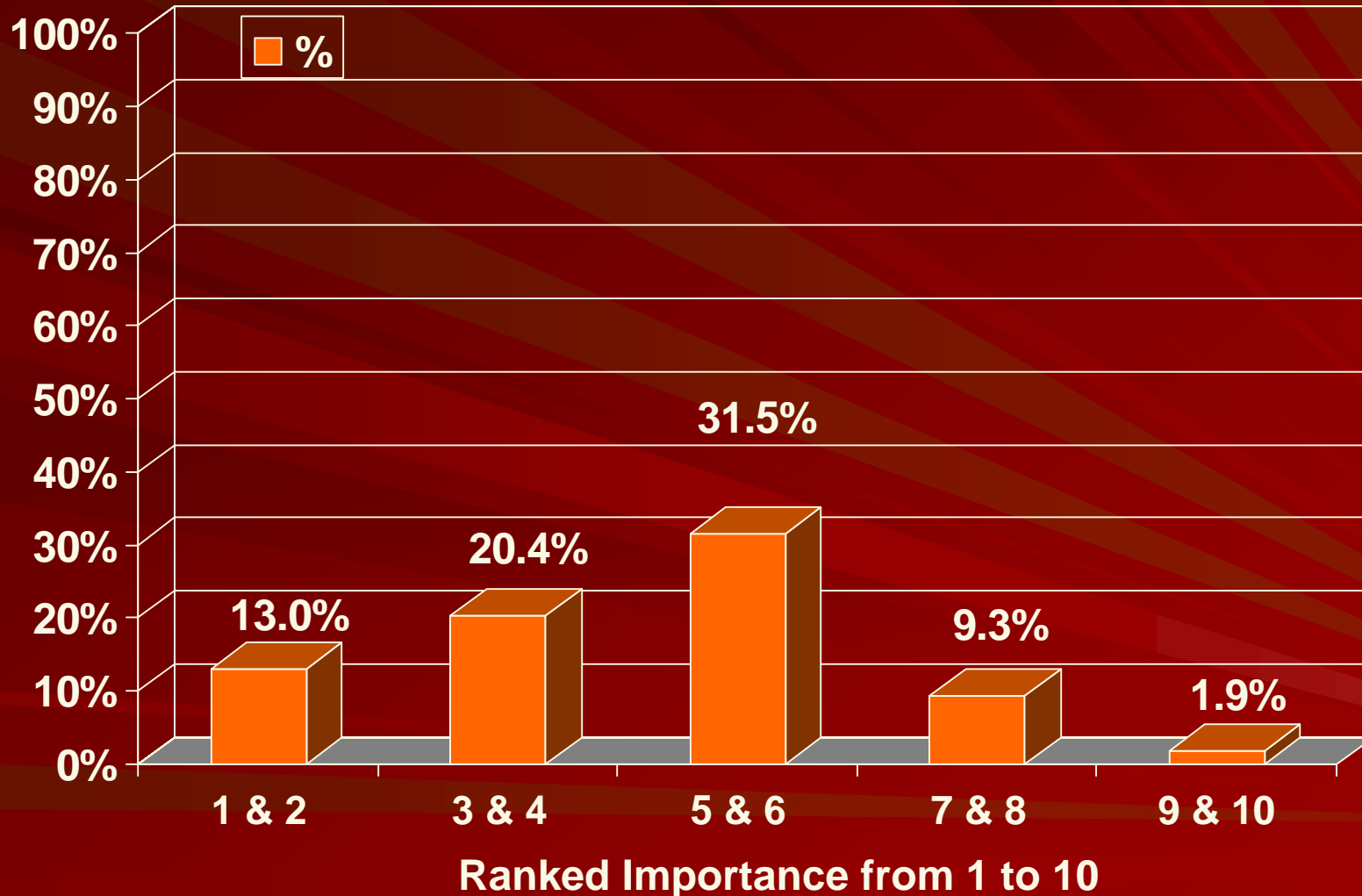
## Question # 9 – Family Medical Leave rights



Ranked Importance from 1 to 10

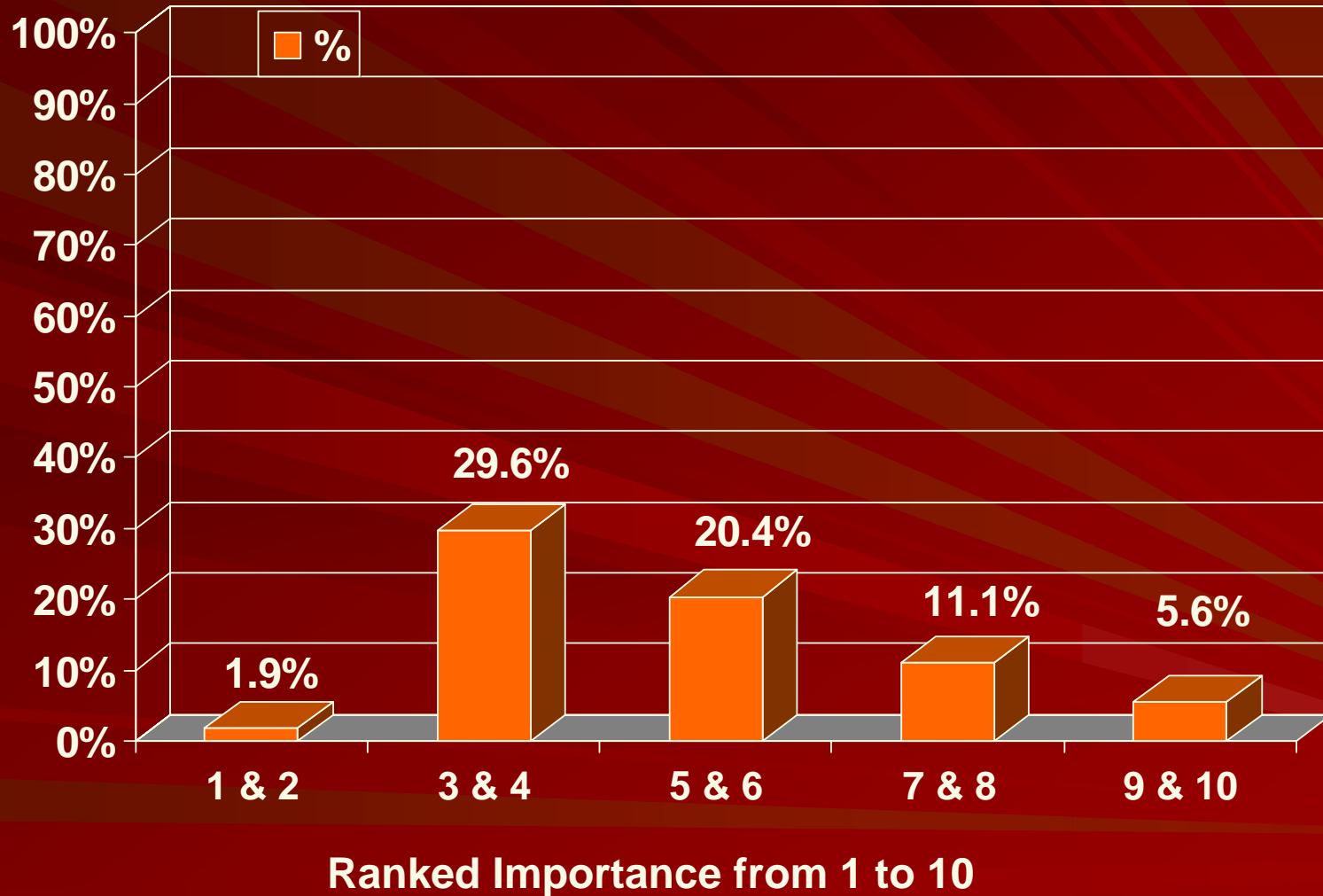
# RDP Client Survey Results

## Question # 9 – Application of Community Property



# RDP Client Survey Results

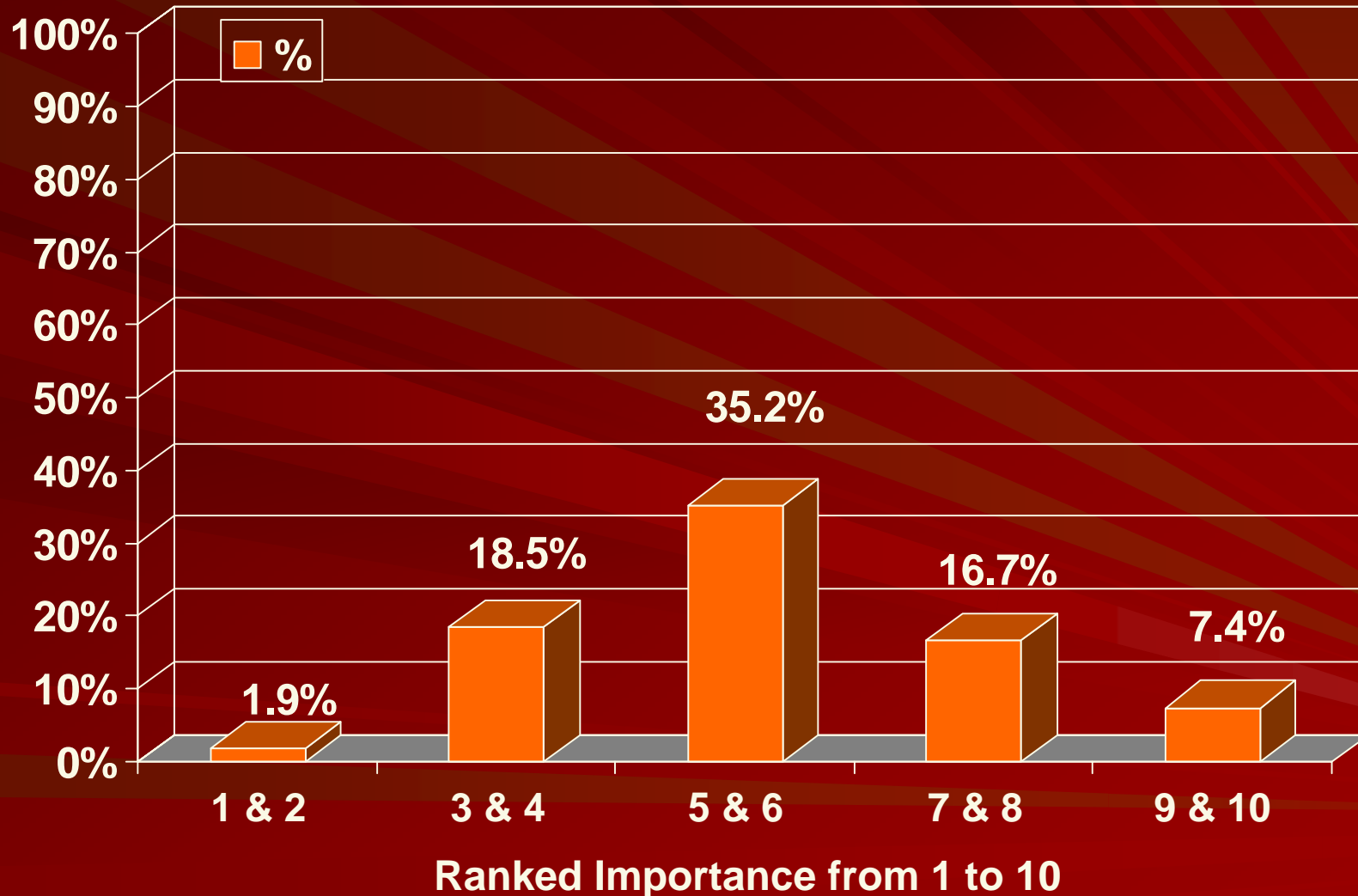
## Question # 9 – Wrongful death/personal injury rights



Ranked Importance from 1 to 10

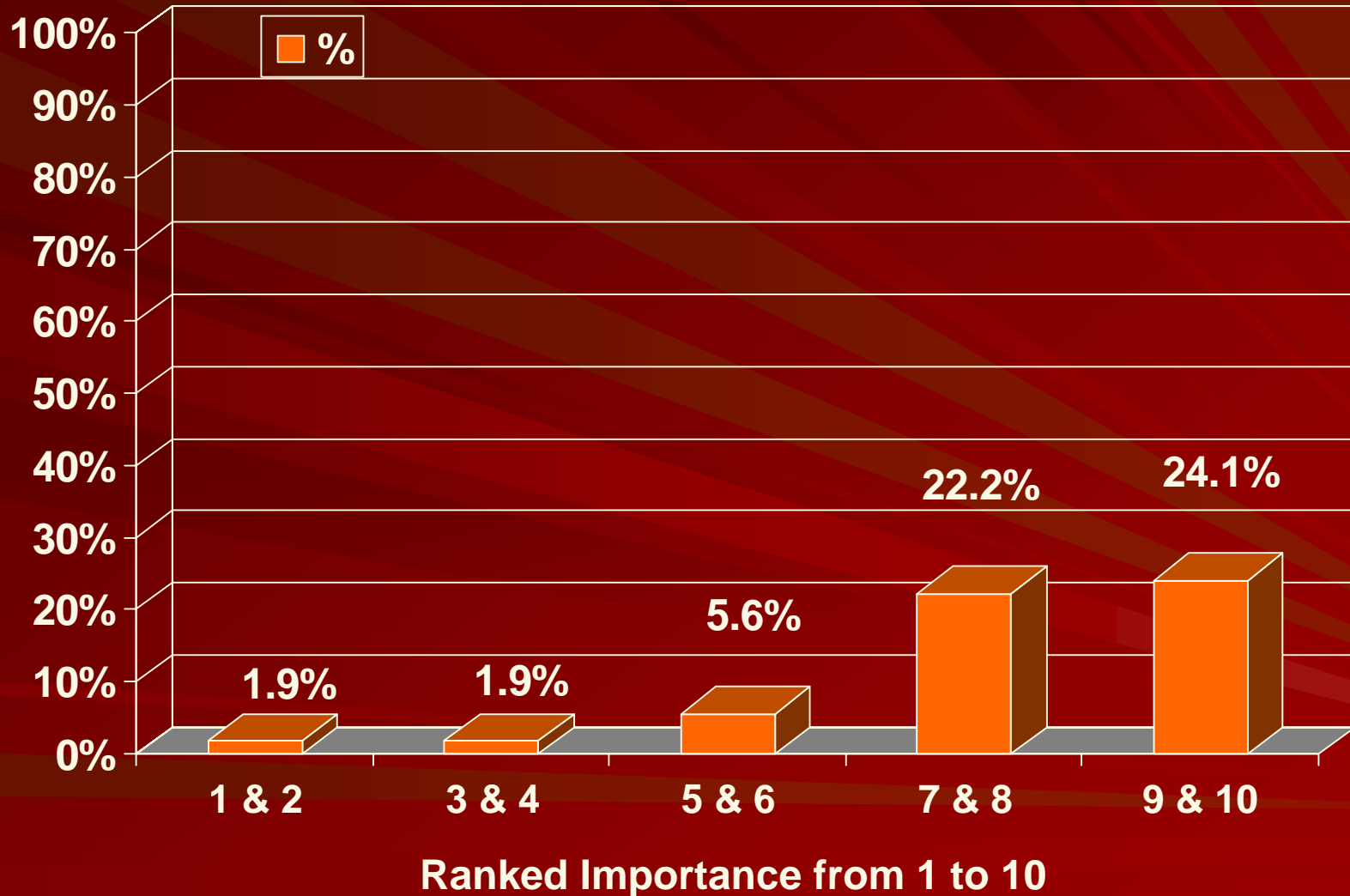
# RDP Client Survey Results

## Question # 9 – California State Disability rights



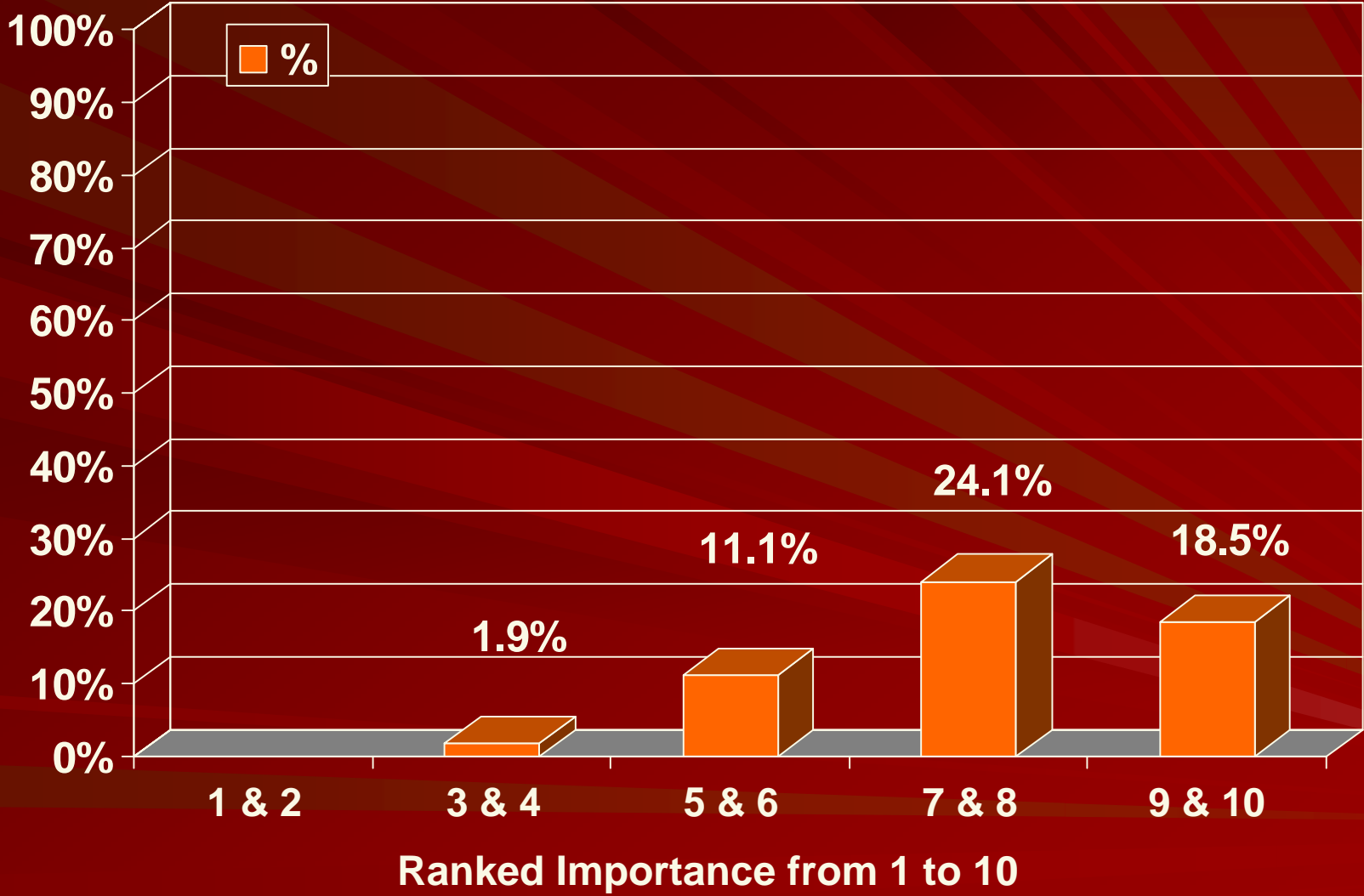
# RDP Client Survey Results

## Question # 9 – Court supervised dissolution rights



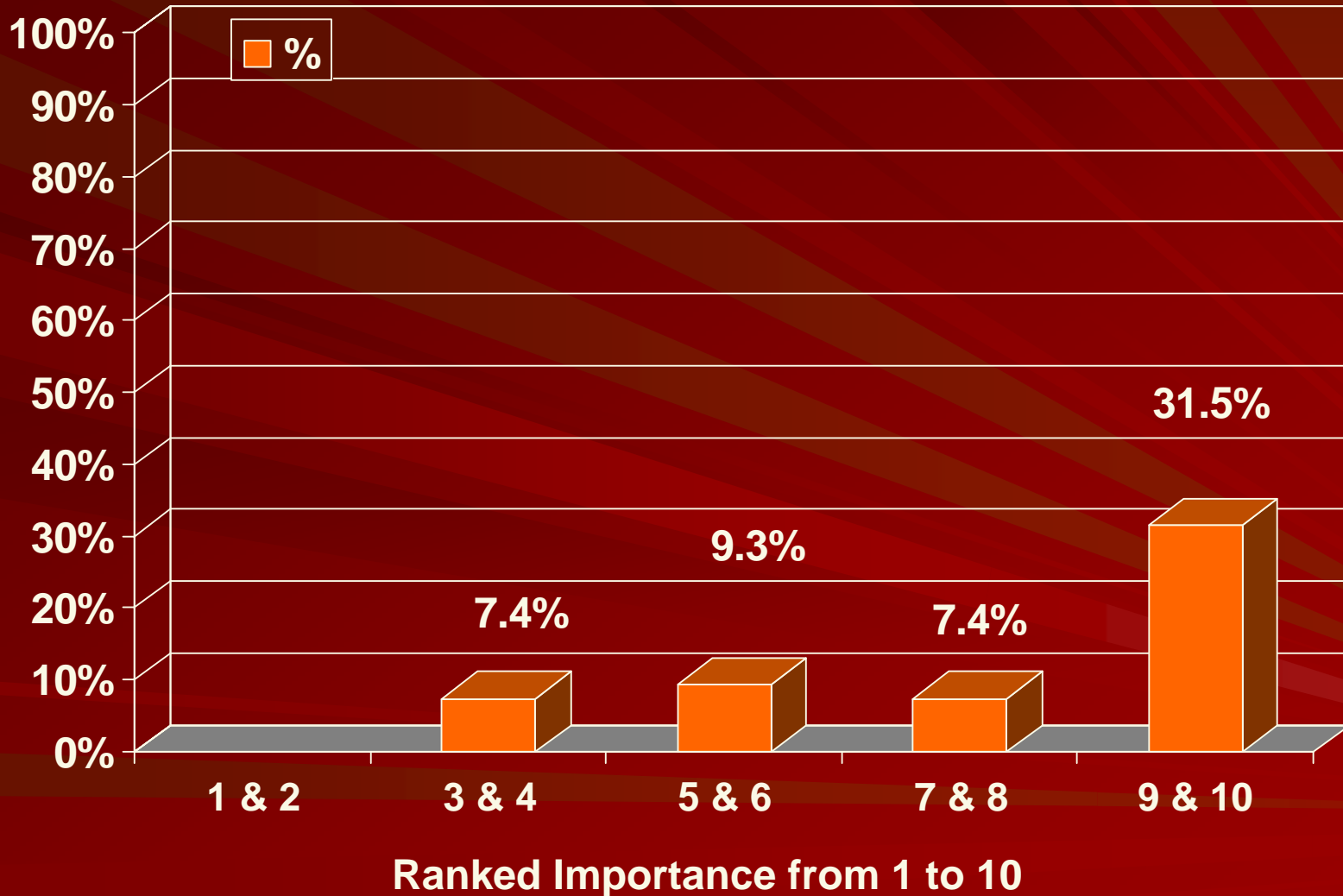
# RDP Client Survey Results

## Question # 9 – Alimony rights



# RDP Client Survey Results

## Question # 9 – Rent control rights



# RDP Client Survey

Question # 10

Now that you know ...

Would you do it again?

OR --

# RDP Client Survey

## Question # 10

The California Supreme Court is set to rule on the San Francisco same-sex marriage case by June 2<sup>nd</sup>. If the court rules that it is unconstitutional to deny same-sex marriage then actual marriage may become an option in California. If marriage is allowed then the future of Registered Domestic Partnerships is uncertain. If RDPs are discontinued and marriage is allowed, and you must once again affirmatively choose to get married or not, knowing the California income tax consequences to you of marriage/RDPship would you still choose to get married?

# RDP Client Survey

## Question #10 (cont.)

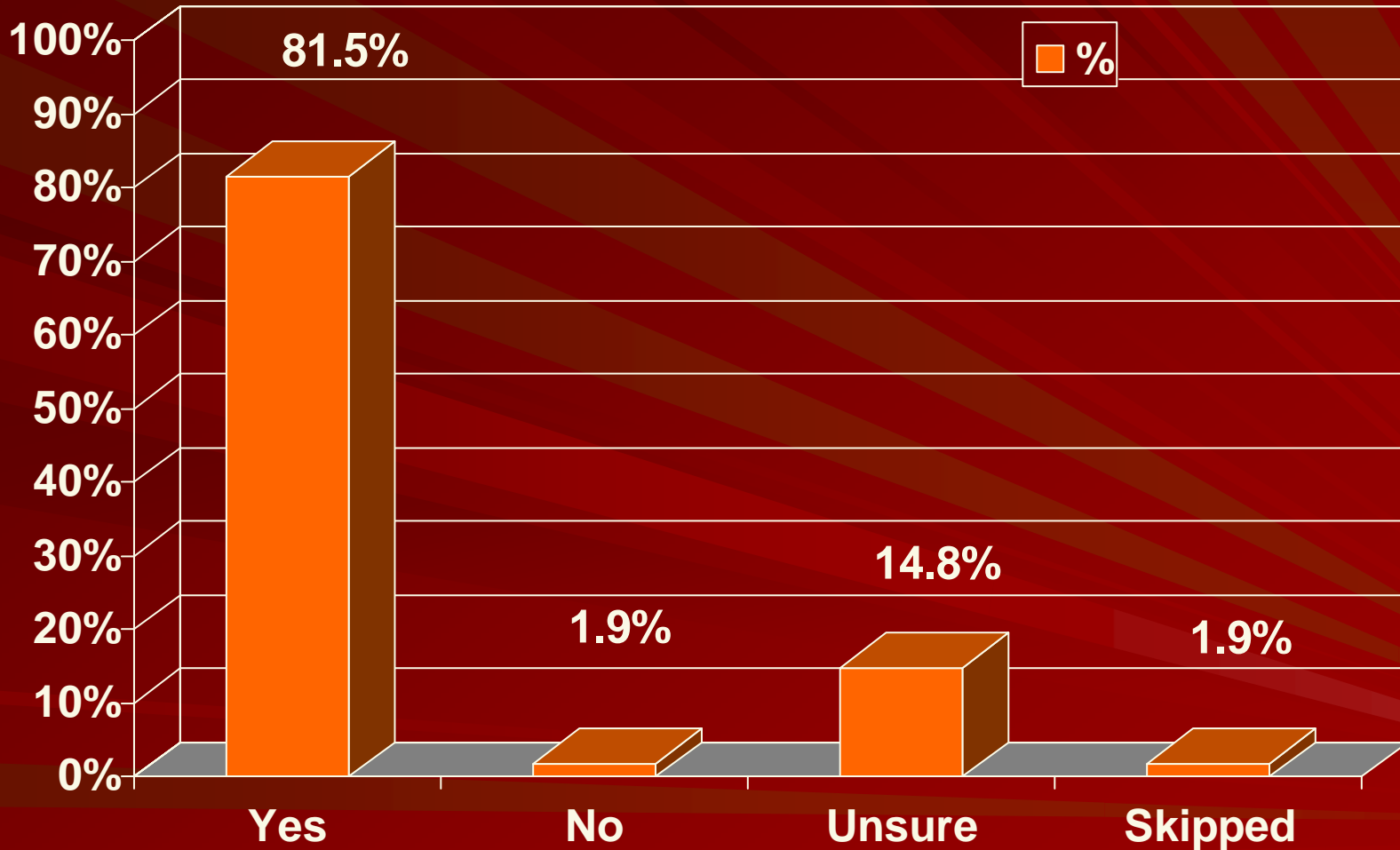
Yes

No

Unsure

# RDP Client Survey Results

## Question # 10



# Agenda

- RDP Statistics – who paid more, who paid less
- Procedural Challenges – tax preparation issues
- Client Survey – how do the RDPs feel about it
- FTB's Experience – issues and statistics

# FTB's Experience

- 88,961 California returns were e-filed checking the “Different federal filing status” box (not all RDPs)
- Filing season went fairly smoothly
- Some California single returns mistakenly efiled (FTB to the rescue – thank you)

# FTB Experience

## Most Frequently Asked Questions

FAQs of Phone Center and Tax Practitioner Hotline:

- What federal attachments to include
- If filing CA RDP/MFS do you include other RDP's returns in attachments
- How to combine or separate deductions
- Who can claim dependents if filing RDP/MFS
- Questions on other state equivalencies

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- Tax Issues – encountered & anticipated

# Tax Issues

- Gifting
- Deductions
- State Taxes (Rev. Rul 80-7)
- Dissolutions
- Related parties

# Dissolutions / Estimated Taxes

Send court ordered settlements or notarized agreements about division of taxpayers' joint estimated tax payments to:

Joint Estimate Credit Allocation

M/S F-225

Taxpayer Services Center

Franchise Tax Board

PO Box 942840

Sacramento CA 94240-0040

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