

Suburbs



Appeals



Property Taxes

The elected members of the Board of Equalization hear appeals of the assessed values of state-assessed properties, private railroad cars, and taxable properties owned by local governments that are located in other jurisdictions. The Board also hears appeals of timber tax decisions and welfare exemption claim denials. While disputes may be resolved through discussion with staff, the Board members make the ultimate decision on all property tax appeals. All Board decisions are final.

In 1998-99, the Board received 61 property tax appeals, including:

- 50 petitions from state-assessed public utilities;
- 2 petitions under the private railroad car tax;
- 4 welfare exemption claims; and
- 5 applications for review, equalization, and adjustment for local government properties.

Sales & Use Taxes and Special Taxes & Fees

Taxpayers who disagree with staff decisions regarding the imposition of sales or use tax or special tax and fee program assessments may seek resolution through the Board's administrative appeals process. After a taxpayer files a written appeal (petition), the dispute may be resolved quickly through discussion with a Board auditor, or it may progress through a series of steps to a hearing before the elected members of the Board. Petitions for redetermination filed this year included

- 2,066 sales and use tax appeals; and
- 415 special taxes appeals.

Taxpayers whose appeals are denied by the Board may seek further remedy by filing an action in superior court. The agency also offers a settlement program for certain tax and fee disputes. For information on 1998-99 tax and fee settlements, please see pages 31 and 44.

Franchise & Personal Income Tax Appeals

The elected Board members serve as an administrative appeal body over final actions by the California Franchise Tax Board (FTB). In that capacity, the Board interprets and applies the state's franchise and income tax laws. The Board hears appeals filed under the

- Bank and Corporation Tax Law;
- Taxpayers' Bill of Rights Law;
- Personal Income Tax Law; and
- Senior Citizens Property Tax Assistance and Postponement Law.



After a taxpayer files a written appeal with the Board, the Appeals Section staff evaluates the issues of law and fact, using information supplied by the parties to the dispute. The Board reviews the staff evaluation, as well as any additional information set forth in the written record or provided at a hearing, and makes a final determination. If the Board denies a taxpayer's appeal, the taxpayer may seek further remedy by filing an action in superior court.

1998-99 Decisions

In 1998-99, the Board issued 746 decisions on appeals filed under the Bank and Corporation Tax Law and the Personal Income Tax Law. The Board considered 115 of these cases at oral hearings and decided the remaining appeals based upon a review of the written record. Eighty-eight of the appeals were petitions for rehearing.

While any taxpayer dissatisfied with a final action of the Franchise Tax Board may file an appeal with the Board, taxpayers who have paid their tax liability may choose instead to file an action in superior court following final action by the FTB. Consequently, the statistics shown here do not necessarily reflect the total number of California taxpayers who disputed a final action by the FTB in 1998-99.

Significant Legal Opinions

Board Readopts Joyce Rule. In a formal opinion dated April 22, 1999, the Board adopted the *Joyce* rule on a prospective basis. (*Appeal of Huffly Corporation*, 99-SBE-005, April 22, 1999.) The *Joyce* opinion held that the California sales factor on a unitary group's combined franchise tax return could not include sales by a group member located in another state whose sales were not subject to California sales tax. The *Huffly* decision indicates that the Board will no longer follow



the rule of law announced in the *Appeal of Finnigan Corp.* (88-SBE-022-A), decided on January 24, 1990.