



Appeals

Property Taxes

Sales and Use Taxes

Special Taxes
and Fees

Franchise
and Personal
Income Taxes



agriculture

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 but located outside their boundaries. 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 1999-00, the Board received 36 property tax appeals, including

- 30 petitions from state-assessed public utilities,
- 1 welfare exemption claim, 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 for redetermination), 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

- 2,093 sales and use tax appeals, and
- 381 special taxes appeals.

Taxpayers whose appeals are denied by the Board may seek further remedy by filing a timely claim for refund, and if that is denied, an action in



superior court. The agency also offers a settlement program for certain tax and fee disputes. For information on 1999-00 tax and fee settlements, please see pages 30 and 42.

Franchise and Personal Income Taxes

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

If a taxpayer disagrees with a determination by the FTB, the taxpayer may appeal that determination to the Board. The Board's Appeals Section evaluates the issues of law and fact for each appeal based on the information provided by each party. The Board reviews the staff evaluation and any additional information found 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 pursue the matter further by filing an action in superior court.

1999-00 Decisions

In 1999-00, the Board issued 709 decisions on appeals filed under the Bank and Corporation Tax Law and the Personal Income Tax Law. The Board considered 106 of these cases at oral hearings and decided the remaining appeals based upon a review of the written record. Ninety-four 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, these appeal statistics do not necessarily reflect the total number of California taxpayers who disputed a final action by the FTB in 1999-00.

Significant Legal Opinions

The United States Supreme Court determined that Revenue and Taxation code section 24344 violated the due process and commerce clauses of the United States Constitution. Section 24344 limited a corporation's allowable interest expense deduction based on the amount of interest and dividend income received from nonunitary corporations. The court found the section unconstitutional because it impermissibly taxed income otherwise beyond the jurisdictional reach of the state.

Hunt-Wesson, Inc. v. Franchise Tax Board of California
(2000) 528 U.S. 458