



BEFORE THE STATE BOARD OF EQUALIZATION
OF THE STATE OF CALIFORNIA

In the Matter of the Appeal of)
AUTOMATIC DATA PROCESSING) No. 82R-2319-VN
WEST, **INC.**)

Appearances:

POP Appellant: Lawrence **V.** Brookes
Attorney at Law

For Respondent: Paul J. **Petrozzi**
Counsel

O P I N I O N

This appeal is made pursuant to section 26075, subdivision (a),^{1/} of the Revenue and Taxation Code from the action of the Franchise Tax Board in denying the claims of Automatic Data Processing West, Inc., for refund of franchise tax in the amounts of **\$61,698.01**, **\$11,914.69**, and **\$97,121.01** for the income years ended June 30, 1973, June 30, 1974, and June 30, 1975, respectively.

1/ Unless otherwise specified, **all section references are** to sections of the Revenue and Taxation Code as in effect for the years in issue.

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The issue presented for our decision is whether appellant, **Automatic Data Processing West, Inc.**, was **engaged in a single unitary business** with its parent **company, Automatic Data Processing, Inc.**, and other affiliated **corporations** during the three **appeal** years.

Appellant was a Delaware corporation with its principal place of business and commercial domicile in Long Beach, California. **Prior to its merger with** the parent company in 1982, appellant had been a wholly owned subsidiary of **Automatic Data Processing, Inc. (ADP)**, a Delaware corporation which is one of the largest independent **providers of commercial data processing services** in the United States. **Headquartered in Clinton, New Jersey, ADP had eleven other subsidiaries** during the appeal years that operated as regional data centers **offering automated bookkeeping and -accounting services in the areas of payroll, accounts receivable, accounts payable, and financial statement preparation for business and industry.** Each of **these commercial data processing subsidiaries provided** services to clients within specific geographic markets. The affiliated group had 35,000 **clients, as of June 30, 1975.** In addition to its regional **centers, ADP had several divisions** involved in providing packaged **data processing services** to industries such as motor vehicle dealers, stock brokerage **firms, wholesale distributors, savings and loan institutions, and hospitals.** In June 1975, **ADP added an information management** division that specialized in providing network access to computer services under a **time-sharing** method. The parent **company also** acquired data processing companies in **the United Kingdom and Holland** during the appeal years. ^{2/}

^{1/}Organized in 1969 by president Frank R. Eautenberg, **chairman Henry Taub, and Joseph Taub, ADP began its data processing business** by offering payroll and **basic record-keeping services** to small and medium-sized businesses in the New York metropolitan area. By **combining basic accounting principles, knowledge of specific businesses, and computer technology, ADP created data processing programs and packages** that allowed it to handle large volumes of **repetitive, clerical work** as well as produce financial reports

^{2/} **During** the three appeal years, **ADP also owned several printing and publishing companies** which the Franchise Tax Board has concluded were **not part** of its unitary **business.**

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for management. In the late **1960's**, ADP embarked upon an aggressive expansion campaign that saw the company acquire data processing companies which were already established in different geographic markets across this country. **ADP's** basic **strategy** for incorporating these new subsidiaries into its operations was to hire the **former- owners** to manage the companies for four or five **years and** structure their compensation on **an** incentive method based on the growth and success of the subsidiaries. From 1967 through the years under review, ADP completed the acquisition of 41 companies, including appellant.

In 1969, ADP purchased the stock and assets of Robert S. **Lehmann** Corporation, a California corporation engaged in data processing in the Los Angeles area. This company was reorganized as a Delaware corporation and eventually named A.D.P.-Automatic Data Processing of Los Angeles, Inc. The former principals of the company stayed on as managers through April 1973. In 1970, ADP acquired Delta Data Processing, Inc., a California corporation doing business in Palo **Alto** and the San Francisco Bay area. This company was also **reorganized** as a Delaware corporation called **A.D.P.-Automatic Data Processing of San Francisco, Inc.** The former owner of Delta Data **Processing, Inc.**, managed the subsidiary for two years, became a consultant for two more **years**, and finally left in 1974. In 1971, the Los Angeles affiliate changed its name to Automatic Data Processing of Los Angeles, Inc. Two years later, the San Francisco subsidiary merged its operations into those of the Los Angeles affiliate which then changed its name again to Automatic Data Processing West, Inc.

For appellant, like all its subsidiaries, ADP appointed several members of its own executive staff and board **to serve** as common **officers** and directors. **As of June 1975**, ADP president Lautenberg was a director of **appellant's** board and empowered 'to vote all of its stock at ADP corporate meetings. Fred S. Lafer, **ADP's vice-president**, general counsel, and secretary, was also appellant's vice-president, secretary, and a director. Appellant's **treasurer** was another ADP vice-president. Gilbert N. Krueger was assistant secretary for appellant and concurrently staff vice-president and assistant general counsel for ADP. The president of appellant's operations in June 1975 was Josh S. Weston who was also **ADP's** group vice-president in charge of the operation of **20 commercial** data processing centers. In 1973, the president of appellant was Buddy W. Jackson, who had been

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hired four years earlier from Robert S. Lehmann Corporation when ADP acquired that company. While Mr. Jackson's employment contract was with appellant, Mr. Lautenberg executed the agreement as chairman of appellant and guaranteed performance by ADP as president of the parent company. Mr. Jackson was later replaced by John M. Hulina who had been general manager. Mr. Hulina's compensation was determined by Mr. Lautenberg. By 1975, Mr. Hulina had become appellant's senior vice-president.

During the appeal years, appellant conducted its daily data processing activities in Long Beach and Palo Alto on a largely independent basis. The company had approximately 150 employees, including 16 sales representatives to solicit business and 6 to 12 programmers to modify ADP payroll and bookkeeping programs according to the needs of its clients. Appellant negotiated leases for its own computer hardware and purchased office supplies and computer forms from west coast vendors. The subsidiary also handled its own local advertising.

On the other hand, ADP directed several functions of the operations of the subsidiary and assisted the company in other ways. The parent company established common guidelines for the accounting practices of all its subsidiaries and employees. Since its commercial data processing subsidiaries generally used the same type of computer hardware, ADP had several national accounts to purchase equipment from major manufacturers who then billed the parent company. ADP passed the costs of the hardware on to the subsidiaries via intercompany charges. (Resp. Post Hrg. Br., Ex. C.) The ADP legal staff negotiated all agreements for the purchase, lease, or license of computer equipment where it was likely that another division or subsidiary would order the same equipment. (Resp. Post Erg. Br., Rx. C.) In the case of IBM equipment, while the general manager of a regional commercial service facility may have determined the need to order more hardware, the technical services department of ADP coordinated all the IBM orders and managed the national account with that manufacturer. To avoid double billings from vendors to both the parent and a subsidiary company, ADP adopted a centralized purchasing procedure.

Furthermore, all subsidiaries used the data processing programs and packages developed by the parent corporation. (Resp. Br., Ex. L; App. Br., Ex. 7.) ADP

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employed a product development staff of 200 system analysts to design new programs and refine existing software for member companies of the commercial services division. (Resp. Post Erg. Br., Ex E.) For the income years under appeal, ADP spent **\$2,419,000, \$4,916,000, and \$5,319,000**, respectively, in the research and development of programs. ADP also maintained an inventory of computer forms and cards which were resold to the subsidiaries at cost. In appellant's case, records of intercompany transactions with the parent company during the appeal years indicate that **appellant** regularly purchased, or was charged for, **computer cards** and forms, magnetic tapes, equipment, contract services on equipment, office supplies, literature, furniture, and express mail and **shipment** costs. (Resp. Post Hrg. Br., Ex. J & R.) In order to assist the subsidiaries in their regional marketing efforts, ADP employed 300 salesmen and managers nationwide to offer technical service and sales training courses. ADP likewise engaged in national advertising of its regional **data processing** in such periodicals as Fortune magazine.

In addition to any charges it may have incurred as a result of centralized purchases, appellant was required to pay an administrative or management fee to the parent company. AS a matter of corporate policy; ADP charged every subsidiary for its pro rata share of the costs arising from the operation of the **various corporate** departments of the parent company. The ADP management decided that it was more economical **for** it to centrally administer these functions and make them available to the subsidiaries rather than maintain separate staffs at each subsidiary location. Consequently, the cost of the following corporate departments or services was passed on to the subsidiaries: general administration, internal auditing and financial systems, corporate accounting and consolidation, **corporate** development, operations training, product **planning**, programming, advertising, legal, purchasing, and tax. The expenses **of** these administrative functions were allocated to the **subsidiaries** based on the percentage of their net revenues, but the amount of the management fee for each subsidiary apparently also depended on the degree of usage of the corporate services by the company. (Resp. Post Erg. Br., Ex. C.) During the 1974 and 1975 income years, appellant paid management fees in the amounts of \$353,377 and \$395,405, respectively.

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In addition, subsidiaries loaned funds to the **parent company** at five percent interest and were **required to pay payroll fees to ADP that were based on the percentage of their taxable payroll. ADP in turn apparently paid the state taxes owed by its subsidiaries since intercompany charge records show that ADP paid taxes owed the Franchise Tax Board.** The parent company provided all capital requirements of its subsidiaries.

Within the **affiliated** group, there was common **insurance and employee benefit plans.** The parent company subscribed to several group-wide insurance policies that **provided uniform** protection against the following forms of liability: general property damage (including earthquake coverage in California), workers' compensation, comprehensive automobile, crimes, fiduciary, directors and **officers, and errors and omissions.** Upon acquisition, each new corporation **was incorporated into the blanket insurance program and was able to reduce its prior insurance expense by 30 to 50 percent.** ADP established a uniform procedure for reporting all accidents. The **ADP group of companies** also had an employee savings and **stock purchase plan that** was administered by a **committee** comprised of chairman Taub, president Lautenberg, and vice-president **Lafer.**

Pot the **three** income years in question, appellant filed its California franchise tax returns on a separate accounting basis. Upon audit, **the Franchise Tax Board** determined that appellant was engaged in a unitary business with ADP and its affiliated data processing corporations. Respondent thereupon redetermined appellant's California income by formula apportionment of the combined income of the unitary group. Appellant paid the resultant deficiencies but filed claims for refund which were then denied **by** respondent. This appeal followed.

When a taxpayer derives income from sources both within and without California, its franchise tax **liability** will be measured by its net income derived from **or** attributable to sources within this state. (Rev. & **Tax. Code, § 25101.**) If the taxpayer is engaged in a **single unitary business with** affiliated corporations, the income attributable to California sources must be determined by applying an apportionment formula to the total income derived **from** the combined unitary operations of **the affiliated companies.** (Edison California Stores, Inc. v. McColgan, 30 Cal.2d 472 [183 P.2d 16] (1947).)

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The California Supreme' Court has set forth two **tests** to determine whether a business is unitary. In Butler Bras. v. **McColgan**, 17 Cal.2d 664 (111 P.2d 334) (1941), affd., 315 U.S. 501 [86 L.Ed. 991] (1942), the **court held that** the unitary nature of a business is definitely established by the presence of unity of ownership; unity of operation as evidenced by central purchasing, advertising, accounting, and management divisions; and unity of use in a centralized executive force **and** general system of operation. The court subsequently added that a business is unitary if the operation of the business done within this state is dependent upon or contributes to the operation of the business outside California. (Edison California Stores, Inc. v. **McColgan**, supra, 30 Cal.2d at 481.) More **recently**, the United States Supreme Court has emphasized the necessity that affiliated corporations of a unitary group **form** a functionally integrated enterprise (Container Corp. v. Franchise Tax Board, 463 U.S. 159, 179 [77 L.Ed.2d 545], reh. den., 464 U.S. 909 [78 L.Ed.2d 248] (1983)) in which factors of profitability arise from the operation of the business as a whole (F. W. Woolworth Co. v. Taxation & Rev. Dept., 458 U.S. 354, 364 (73 L.Ed.2d 819) (1982))).

Respondent's determination that appellant was engaged in a single unitary business with affiliated corporations is presumptively correct, and appellant bears the burden of proving that the determination is erroneous. (Appeal of John Deere Plow Company of Moline, Cal. St. Bd. of Equal., Dec. 13, 1961; Appeal of Kikkoman International, Inc., Cal. St. Bd. of Equal., June 29, 1982.) Each **appeal** must be decided on its own particular facts and no one factor is controlling. (Container Corp. of America v. Franchise Tax Board, 117 Cal.App.3d 988 [173 Cal.Rptr. 121] (1981), affd., 463 U.S. 159 [77 L.Ed.2d 545] (1993).) Where, **as** here; the appellant is contesting respondent's determination of unity, it must prove that, in the aggregate, the unitary connections relied on by **respondent** were so lacking in substance as **to** compel the conclusion that a single integrated economic enterprise did not exist. (Appeal of Saga Corporation, Cal. St. Bd. of Equal., June 29, 1982,)

In general, the **existence** of a unitary business **may** be established if either the three unities or the contribution or dependency test is satisfied. (Appeal of F. W. Woolworth Co., Cal. St. Bd. of Equal., July 31, 1972.) In the present matter, the Franchise Tax Board **contends** that there is sufficient evidence under either

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test to support its finding that ADP, appellant, and the other ADP subsidiaries were engaged in' the single unitary business of providing commercial, data processing services. Appellant argues that, other 'than unity of ownership which it concedes was present, none of the unitary factors relied on by respondent existed during the income years under appeal. Based on the record in this appeal, we are compelled to agree with respondent.

We first analyze the facts of this appeal under the three unities test. Unity of operations involves the centralization of what are often called staff functions, e.g., common departments facilitating purchasing and accounting, intercompany financing, and the shared exchange of knowledge. Appellant asserts that ADP did not have many corporate departments during the appeal period. Where departments, had been established, appellant argues that the staff performed functions solely for the parent company. The record shows, however, that the following corporate departments of ADP were in existence by 1973: legal, accounting, finance, personnel, technical services, product development, sales, and advertising. Even though the purchasing department my not have been created until 1975, Mr. Hulina testified at the hearing in this matter that problems with double billing in the organization resulted in a centralized purchasing procedure prior to the income; years in question. Moreover, it is clear that ADP had common accounting procedures for all subsidiaries, conducted advertising in a national magazine that indicated its data processing service was available in major cities throughout the nation, protected all affiliates under a common insurance plan, provided group-wide training, and offered a savings and stock purchase for all employees of the data processing group. Finally, the name "ADP" which was used by all of the corporations in the combined group has unitary significance given the advertising of the name in a national magazine. (Appeals of Allstate Enterprises, Inc., et al. Cal. St. Ed. of Equal., Nov.14,1984.)

Appellant argues that it did not use the services offered by the corporate departments, but the record of this appeal does not support its position. Summaries of intercompany transactions show appellant was charged for its share of such items as a company slide show, advertising, employee benefits, equipment, and computer supplies. These financial records tend to demonstrate that appellant participated in the purchasing, advertising, and benefit programs of the ADP

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central offices. Moreover, while it may have had to make modifications for its customers, appellant nevertheless used the different data processing programs and packages developed **by the ADP** staff of system analysts and thus **shared** in the knowledge of the parent company. A similar exchange of information and data presumably occurred when an executive from the Denver branch spent time in the Palo Alto office, for documents show appellant was billed by **ADP for** his short-term services.

Furthermore, appellant's payment of an annual administrative or management fee to ADP has a tendency in reason to show that **it** id employ the services of **ADP's** corporate departments.⁴ The **record** indicates that the parent **company** planned as a matter of cost savings the centralization of various corporate functions whose services **were** made available to the subsidiaries and the management fee represented **ADP's** method of apportioning the expenses of operating these departments to the subsidiaries. (Resp. Post Hrg. **Br., Ex. P.**) Testimony and correspondence of **ADP's** tax manager establish that a management fee based on net revenues was in place in 1973 and charged to the subsidiaries as a matter of ADP corporate policy. (**Rptr. Tr.**, June 16, 1987; **Resp. Post. Hrg. Br., Ex. P.**) A letter sent to the Franchise Tax **Board** by **ADP's** corporate tax department in response to respondent's question regarding the appeal period further provides:

The **corporate** administrative charges are calculated as a percentage of the revenues generated by each of the subsidiary corporations. The percentage amount for each company varied depending on its **usage** of administrative services.

The administrative charges relate to the following services: general administration, personnel and benefits, internal auditing and financial systems, corporate accounting and consolidation, corporate development, product planning, programming, advertising, legal, purchasing and tax.

(**Resp. Post. Arg. Br., Ex. C.**)

^{3/} On June 16, 1987, the board held a supplemental hearing to afford appellant the opportunity to present testimony of **ADP's** tax manager, Brian E. Aeiser, with regard to the management fee.

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The fact that appellant made substantial payments of \$353,377 in the 1974 income year and \$395,405 in the 1975 income year thus leads us to believe that it used the services of the centralized ADP departments to a significant degree. We find here that the management fee when combined with the elements of common staff functions is an important indicator of integrated operations.

Cnity of use is reflected by an integrated executive work force at the top management level. (Chase Brass & Copper Co., Inc. v. Franchise Tax Board, 10 Cal. App. 3d 496 [877 Cal. Rptr. 2399], app. dis. and cert. den., 400 U.S. 961 [27 L. Ed. 2d 381] (1970). Superior Oil Co. v. Franchise Tax Board, 60 Cal. 2d 406 (34 Cal. Rptr. 545) (1963).) In the ADP organization, all subsidiaries had **interlocking officers** and directors with the parent company. *Four ADP officers were common directors and officers for all subsidiaries, including the president, Mr. Lautenberg. In appellant's case, its president during the last income year in issue was the group vice-president of the parent company. The presence of ADP officers on appellant's board and executive staff is relevant to show that appellant was subject to at least a degree of implicit control of ADP so as to render the two corporations an integrated enterprise. (Container Corp. of America v. Franchise Tax Board, supra, 463 U.S. at 177 fn. 16.) Here, Mr. Lautenberg exerted direct control over appellant's operations in that he appears to have hired the managers and guaranteed their employment contracts with ADP. In addition, he had the authority to vote the stock of the subsidiary at all corporate meetings. Appellant contends that the ADP management was not involved in appellant's operations but concerned only with directing the growth of the parent company. We observe in the applications that ADP filed for the listing of additional stock on the American Stock Exchange that appellant's predecessor corporations were acquired with the purpose to give ADP an opportunity to diversify and -geographically expand its data processing business. Since it is reasonable to assume that some of the ADP executives on appellant's board and staff were among those who made the decision to acquire appellant's operations, we find it difficult to believe that these interlocking directors and officers would not continue to exert control over at least the "major policy matters" affecting the success of their acquisition. (Chase Brass & Comer Co., Inc. v. Franchise Tax Board, supra, 10 Cal. App. 3d at 504.) Minutes from meetings of ADP's board of directors held during the appeal years confirm our belief. (Resp. Post. Erg. Br., Ex. H.) On August 24,*

1972, Mr. Lautenberg announced that the company had entered into an agreement to terminate the contract with the president of the San Francisco subsidiary. At its meeting of November 2, 1972, the board indicated that the Los Angeles subsidiary was having problems. Five months later, the minutes show the management of appellant's operations had been replaced. The decision to merge the San Francisco-based corporation into appellant's operations in October 1973 was presumably made by these same interlocking directors and officers.

As for decisions having group-wide consequences, the minutes disclose that the ADP board of directors authorized implementation of a cash transfer policy to limit the amount of cash held by subsidiaries, approved a contract that made Control Data Corporation its major supplier of peripheral hardware, and permitted ADP officers to guarantee real estate leases of the subsidiaries. Mr. Lautenberg likewise announced in April 1973 that, due to the increasingly complex nature of managing a commercial data processing center, the company was taking steps to enable local managers to concentrate on operations and not be concerned with financial accounting, sales, and executive recruitment matters. These types of major policy decisions demonstrate that executive control was vested in this common management team. (See Appeal of Trails End, Inc., Cal. St. Bd. of Equal., Sept. 10, 1985, where we found that an interlocking board of directors which exercised its ordinary powers in setting corporate policy demonstrated executive control of the taxpayer.) Because the corporations were engaged in the same type of business, we find that the common executive forces to be an important unitary factor that contributed to the integration of the companies.

Second, respondent has contended that application of the contribution or dependency test shows that appellant and ADP were engaged in a unitary business. Notwithstanding appellant's claims of autonomy, we find sufficient connections between the operations of appellant and the parent company to conclude that there existed a mutually dependent relationship. For the three income years at issue, the contribution to ADP's net income from its data processing activities was 90 percent for 1973, 92 percent for 1974, and 98 percent for 1975. (Resp. Post Hrg. Br., Ex. E at 12.) While the payroll preparation and reporting conducted by its commercial services division was ADP's principal form of data processing work, all of the commercial services were available from what ADP has referred to as its "regional

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data centers," including Los Angeles and San Francisco. (Resp. Br., Bx. E.) In addition to whatever income was realized from its California data processing business, appellant further contributed to the overall economic well-being of the parent company by its payment of the annual management fee and payroll fees. Other subsidiaries loaned funds to the parent company.

On the other hand,, some of the unitary factors which show appellant was dependent upon the parent company include the common insurance plan, common advertising and trade name, and centralized services for purchasing, legal assistance, and product development. (Resp. Br., Ex. F; Resp. Post Hrg. Br., Ex. F.) In this factual setting of an affiliated group engaged in the same type of business, the existence of an integrated management and board of directors further creates an inference that there was a mutually beneficial exchange of information and know-how. (Appeal of Credit Bureau Central, Inc., Cal. St. Bd. of Equal., Feb. 2, 1981; Appeal of Anchor Hocking Glass Corporation, Cal. St. Bd. of Equal., July 1, 1967)... In the aggregate, these various connections demonstrate to us that the corporations were mutually dependent on each other to such a significant degree that they must be considered part of an integrated economic enterprise for purposes of taxation.

Appellant has not presented sufficient evidence to persuade us that respondent's determination of unity was erroneous. John M. Eulina and Gilbert N. Rueger testified for appellant that the centralized management of ADP did not make any major decisions for the affiliates and that appellant did not receive any assistance from the parent company. However, the record in this appeal corroborates respondent's finding that there were centralized services. Moreover, the fact that the witnesses had no knowledge about the management fee diminishes the weight of their testimony regarding ADP's centralized management.

With regard to the management fee, appellant has made the argument throughout these proceedings that the fee was without unitary significance. While seemingly changing its argument as the record on the subject evolved, appellant now concedes that ADP had prior to 1974 adopted the fee whose purpose was to recoup corporate overhead expenses incurred on behalf of its subsidiaries. Appellant further acknowledges that the original basis of the management fee was services.

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rendered to a subsidiary by ADP's corporate departments and measured by a percentage of the subsidiary's net revenue. Appellant argues, however, that it was not among those subsidiaries which paid the fee prior to 1974 and did not receive services from the central departments prior to or during the appeal years. It is appellant's contention that the management fees paid by it in the 1974 and 1975 income years were imposed as the result of an audit settlement agreement with the Internal Revenue Service and was not attributable to services received from the parent company. Appellant's argument is not convincing. As indicated above, the weight of the evidence in this appeal shows that services of the ADP centralized departments were made available to the subsidiaries and that appellant did receive services and information from corporate headquarters in New Jersey. A close reading of the correspondence between ADP's tax manager and the IRS also tends to show that the IRS during an audit of a couple of ADP subsidiaries was questioning the rationale or basis for the management fee rather than seeking to impose one upon ADP's subsidiaries. (Resp. Post Hrg. Br., Ex. F.) The only evidence supporting appellant's position is testimony of ADP's corporate tax manager, which we did not find to have been conclusive insofar as appellant's operations were concerned. Moreover, appellant's failure to present any documentary evidence corroborating that the management fee was imposed on appellant by the IRS did not aid appellant's case on this issue.

Appellant contends that the facts in the present matter are similar to Appeal of A. & R. Block, Inc. decided on June 6, 1968, where this board found a California corporation engaged in the business of preparing tax returns not to be part of a unitary business with its parent company engaged in the same line of business. We find that appeal to be entirely distinguishable. Appeal of H. & R. Block, Inc. involved offices operating independently under franchise agreements with a California taxpayer. Each franchise office maintained its own liability insurance, training, accounting records, and bank accounts. Each office was also given a great amount of autonomy and discretion in handling all phases of its operation and financed its own organization without aid from the California corporation or the national organization. In contrast, the present matter concerns a wholly-owned subsidiary subject to the common management, uniform accounting, and centralized departmental services of its parent company. Nor can we agree with appellant's characterization of its business

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as an autonomous enterprise operated by independent entrepreneurs seeking clients in a market different from the parent company. In its annual registration statement filed with the Securities and Exchange Commission in 1973, ADP has so much as stated that all its commercial data-processing companies should be grouped into a single line of business since they followed similar operating procedures while providing services to similar clients nationwide. Finally, we do not consider it significant that appellant was managed by the former principals or owners of its predecessor corporations for a few years upon acquisition by ADP (see Appeals of Dynamic Speaker Corp., et al., Cal. St. Bd. of Equal., June 27, 1984), for the evidence of centralized functions and interlocking officers and directors convinces us that appellant was operated as part of a unitary business during the appeal years.

Based on the foregoing, we conclude that appellant has not met its burden of showing that the unitary factors relied on by the Franchise Tax Board lacked substance. Accordingly, respondent's action in this matter must be sustained.

