



STATE BOARD OF EQUALIZATION
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SEN. GEORGE RUNNER (RET.)
Second District, Lancaster
MICHELLE STEEL
Third District, Orange County
JEROME E. HORTON
Fourth District, Los Angeles
JOHN CHIANG
State Controller
CYNTHIA BRIDGES
Executive Director

STATE BOARD OF EQUALIZATION MEETING
450 N Street, Room 121, Sacramento
NOTICE AND AGENDA
Meeting Agenda (as of 5/22/2014, 11:00 AM)

Agenda Changes

Webcast on Thursday, May 22, 2014

Thursday, May 22, 2014

10:00 a.m. Board Committee Meetings Convene*

Board Meeting convenes upon Adjournment of the Board Committee Meetings**

Agenda items occur in the order in which they appear on the agenda. When circumstances warrant, the Board's Chair may modify the order of the items on the agenda.

Board Committee Meetings*

Legislative Committee.....Mr. Horton, Committee Chairman

I. 2014 Legislative Proposal

Set forth below is a suggestion for legislation to be sponsored by the BOE in the second year of the 2013/14 Legislative Session.

2014 Legislative Proposal: Business Taxes: Sales and Use Taxes

3-5 Amend Revenue and Taxation Code Section 6377.1 of the Sales and Use Tax Law to include within the partial sales and use tax exemption those qualified persons that conduct agricultural business activities that are currently excluded from the partial exemption.

II. 2014 Legislative Bill

- Recommendation for Board Position:
AB 2234 Property Tax: Assessment Practice Surveys (Ting)

Customer Service and Administrative
Efficiency Committee.....Ms. Yee, Committee Chairwoman

1. Proactive Outreach Manager (POM)

Staff will present a report on the current and proposed uses of POM and present a timeline for the proposed expansion.

Business Taxes Committee..... Ms. Steel, Committee Chairwoman

- 1. Regulation 1603, Taxable Sales of Food Products
Request approval and authorization to publish proposed amendments to clarify the application of tax to tips, gratuities, and service charges.

Property Tax CommitteeMr. Runner, Committee Chairman

- 1. Adoption of Assessors' Handbook Section 410, *Assessment of Newly Constructed Property*
Adoption of Assessors' Handbook to provide guidance on the assessment of newly constructed property under the provisions of Proposition 13.
- 2. Addendum to the *Report on Bundled Nontaxable Software – Embedded Software*
Staff to present an addendum to the report and discussion on assessment issues for embedded software.

Board Meeting**

State-Assessed Properties Value Setting

Property Tax Matter - 'CF' + Mr. Thompson

Board sets unitary values of state-assessed properties annually, on or before May 31, pursuant to constitutional and statutory law.

Special Presentations

2012-2013 Employee Recognition Award Program..... Ms. Herrera
The Board will announce and congratulate Northern California recipients of the Employee Recognition Awards.

Board Member Annual Photograph

- A. Homeowner and Renter Property Tax Assistance Appeals Hearings
There are no items for this matter.
- B. Corporate Franchise and Personal Income Tax Appeals Hearings**
(Contribution Disclosure forms required pursuant to Gov. Code, § 15626.)
 - ~~B1. Joseph W. Valva and Marilyn K. Valva, 719017 +~~
 For Appellants: ~~Sophia Lumbang, Representative~~
 For Franchise Tax Board: ~~Maria Brosterhous, Tax Counsel~~
~~Diane Ewing, Tax Counsel~~

~~B2. Graeme Kling and Lora Kling, 612775 +
 For Appellants: Sophia Lumbang, Representative
 For Franchise Tax Board: Kristen Kane, Tax Counsel
 Maria Brosterhaus, Tax Counsel~~

C. Sales and Use Tax Appeals Hearings

(Contribution Disclosure forms required pursuant to Gov. Code, § 15626.)

C1. [James J. Barbera, Jr., 526563, 526564, 526565 \(BH\) +](#)
 For Taxpayer: James Barbera, Taxpayer
 For Department: Scott Lambert, Hearing Representative

~~C2. Hukilau San Francisco, LLC, 533841 (BH) +
 For Petitioner: Eric Tao, Representative
 For Department: Scott Lambert, Hearing Representative~~

C3. [GEO G2 Solutions, Inc., 563641 \(UT\) +](#)
 For Petitioner: Kevin E. Spry, Representative
 For Department: Andrew Kwee, Tax Counsel

There are no items for the following matters:

- D. Special Taxes Appeals Hearings
- E. Property Tax Appeals Hearings

F. Public Hearings

F1. [Business Taxpayers' Bill of Rights Hearings](#).....Mr. Gilman

Individuals have the opportunity to present their ideas, concerns, and recommendations regarding legislation, the quality of agency services, and other issues related to the Board's administration of its tax programs, including sales and use taxes, environmental fees, fuel taxes, and excise taxes, and any problems identified in the Taxpayers' Rights Advocate's [Annual Report +](#).

F2. [Property Taxpayers' Bill of Rights Hearings](#).....Mr. Gilman

Individuals have the opportunity to present their ideas, concerns, and recommendations regarding legislation, the quality of agency services, and other issues related to the Board's administration of its tax programs, including state and county property tax programs, and any problems identified in the Taxpayers' Rights Advocate's [Annual Report +](#).

F3. [Proposed Adoption of Amendments to Rule 133, Business Inventory Exemption +](#)..... Mr. Moon

The proposed amendments clarify that the business inventory exemption applies to space flight property, under specific circumstances.

G. Tax Program Nonappearance Matters – Consent(Contribution Disclosure forms not required pursuant to Gov. Code, § 15626.)

- G1. Legal Appeals Matters Mr. Angeja
- Hearing Notices Sent – No Response
 1. Alvin Wireless, Inc., 527727 (GH)
 2. Bernie Chong, 564370 (GH)
 3. McKinney Griff., Inc., 607201 (CH)
 - Petitions for Release of Seized Property
 4. Dhami JS Corporation, Inc., 781906 (STF)
 5. Roy's Liquor & Market, Inc., 781908 (STF)
 6. Silverhawk, Inc., 781525 (STF)
 7. Patricia Anne E. Bailey and Louis Edward Snider, 781528 (STF)
 - Petitions for Rehearing
 8. Monarch Consulting, Inc., 525103 (STF)
- G2. Franchise and Income Tax Matters Mr. Epolite
- Hearing Notices Sent – No Response
 1. April Mottahedeh, 599752
 - Decisions
 2. Tony Aguilar, 738702
 3. Scott Ambrose and Wendy Ambrose, 676541
 4. Christine Asnaran, 660078
 5. William C. Burns and Linda Converse-Burns, 742213
 6. California Creative Foods, Inc., 595861
 7. Manuel De La Torre, 739089
 8. Jonie B. Dodgens, 716520
 9. Joseph D. Funkey and Susan L. Funkey, 577563
 10. David Hauber, 711188
 11. Sheng-Yu Ko, 603614
 12. Thomas A. Lee III, 610609
 13. Billie Jo Ann Llenas, 717025
 14. Albert H. MacKenzie and Hideko MacKenzie, 606115
 15. Carole L. McKee-Livingston (Schnugg) and Mark T. Livingston, 427529
 16. Gordon C. Merrick and Julie Nikcevich, 573097
 17. Christopher J. Nelson and Nancy L. Nelson, 613625
 18. Nestor Nieves and Lucy Nieves, 740002
 19. Palm Springs Industrial Development, L.P., 673144
 20. Rachel Raasch, 738585
 21. Michael Ramsey, 606120
 22. Brandon W. Ricks, 625450
 23. Lincoln L. Saul and Maureen E. Saul, 720758
 24. Joleen Soo, 713619
 25. Randy Stanley and Stephanie Stanley, 609454
 26. The Soft Forge, Inc., 717054
 27. Alvin Tjong, 643681
 28. Top Vision Development, LLC, 704842
 29. Didier Tran, 722786
 30. Bayani B. Villena and Thelma F. Villena, 611230

- Petitions for Rehearing
 31. ~~Todd Bentley and Kate Bentley, 593582~~
 32. Greg Karraker, 620604
 33. Roslyn Kirk and Willis Kirk, 588344
 34. Craig Norton, 693097

- G3. Homeowner and Renter Property Tax Assistance Matters
There are no items for this matter.

- G4. Sales and Use Taxes Matters.....Mr. McGuire
 - Redeterminations
 1. Lithographix, Inc., 594527 (AS)
 2. D'Anna Yacht Center, Inc., 627009 (CH)
 3. TCK United Furniture, Inc., 592711 (KH)
 4. Cabwest, LLC, 719315 (OH)
 5. Resonetics, Inc., 460706 (OH)
 - Relief of Penalty/Interest
 6. Gelson's Markets, 796920 (AA)
 7. Cemex Construction Materials Pacific, LLC, 796175 (OH)
 - Denials of Claims for Refund
 8. KCI USA, Inc., 624009 (OH)
 9. Union Pacific Railroad Company, 734429 (OH)
 10. Cardinal Health 200, Inc., 554616 (OH)
 - Grant One-Day Interest Relief
 11. Lloyd Curtis Chittock, 796907 (KH)
 12. Lloyd Curtis Chittock, 796906 (KH)

- G5. Sales and Use Taxes Matters – Credits, Cancellations, and RefundsMr. McGuire
 - Credits and Cancellations
 1. Circuit City Stores West Coast, Inc., 809827 (OH)
 - Refunds
 2. Woodward Hrt, Inc., 484298 (AR)
 3. Henkels & Mc-Coy, Inc., 797521 (OH)
 4. KCI USA, Inc., 624009 (OH)
 5. Rush Truck Leasing, Inc., LSR, 611190 (UT)
 6. Coso Junction Store, Inc., 771277 (DF)
 7. Irvine Eurocars, LLC, 614406 (EA)
 8. Buena Park Eurocars, LLC, 614403 (EA)
 9. Long Beach Eurocars, LLC, 614408 (AA)
 10. DFS SPV, LLC, 745211 (OH)
 11. Union Pacific Railroad Company, 734429 (OH)
 12. Cardinal Health 200, Inc., 554616 (OH)
 13. Borrego Solar Systems, Inc., 703784 (FH)
 14. S & R Architectural Metals, Inc., 786837 (EA)
 15. Kern Schools Federal Credit Union, 744162 (DF)
 16. TA Operating, LLC, 760078 (OH)
 17. Alcatel-Lucent USA, Inc., 735462 (OH)
 18. Buena Vista International, Inc., 790242 (OH)

- G6. Special Taxes Matters Mr. Gau
- Denials of Claims for Refund
 1. ConocoPhillips Company (STF), 720766
- G7. Special Taxes Matters – Credits, Cancellations, and Refunds Mr. Gau
- Credits and Cancellations
 1. Eagle Energy, Inc., 528233 (STF)
 - Refunds
 2. ConocoPhillips Company, 710824 (STF)
 3. Massachusetts Mutual Life Insurance, Co., 790106 (STF) ‘CF’
 4. Protective Life Insurance, Co., 790151 (STF) ‘CF’

There are no items for the following matters:

- G8. Property Tax Matters
 G9. Cigarette License Fee Matters
 G10. Legal Appeals Property Tax Matters

H. Tax Program Nonappearance Matters – Adjudicatory

(Contribution Disclosure forms required pursuant to Gov. Code, § 15626.)

- H1. Legal Appeals Matters Mr. Angeja
- Cases Heard Not Decided
 1. [General Industrial Tool & Supply, 281207 \(AC\) +](#)
- H2. Franchise and Income Tax Matters Mr. Epolite
- Decisions
 1. Affina Soft, LLC, 609944
 2. Tonja M. Jarrell, 571357
 3. Gaddam Reddy and Preetha Reddy, 623814
 - Cases Heard Not Decided
 4. ~~SC Brokers, Inc., 600519~~

There are no items for the following matters:

- H3. Homeowner and Renter Property Tax Assistance Matters
 H4. Sales and Use Taxes Matters
 H5. Sales and Use Taxes Matters – Credits, Cancellations, and Refunds
 H6. Special Taxes Matters
 H7. Special Taxes Matters – Credits, Cancellations, and Refunds
 H8. Property Tax Matters
 H9. Cigarette License Fee Matters
 H10. Legal Appeals Property Tax Matters

I. Tax Program Nonappearance Matters

(Contribution Disclosure forms not required pursuant to Gov. Code, § 15626.)

I1. Property Taxes Matters

➤ Audits

1. Kerman Telephone Co. (246) 'CF'
2. Nationwide Telecom, Inc. (8026) 'CF'
3. Callcatchers, Inc. (8113) 'CF'
4. IntelePeer, Inc. (8118) 'CF'

➤ Land Escaped Assessments

5. AT&T Mobility, LLC (2606) 'CF'

➤ Board Roll Changes

6. 2010, 2011, 2012 and 2013 Board Rolls of State-Assessed Property 'CF'

I2. Offer in Compromise Recommendations.....Mr. Anderson

1. Ali Altafi
2. Mary Teresa Autera
- 3a. Amarjit Kaur Badesha
- 3b. Jasvir Badesha
4. Luis Galo Biondi
5. Jesus Casillas, Jr.
- 6a. Steven Michael Chack
- 6b. Cynthia Diane Kiddoo
7. Soo Lei Choi
8. Barbara E. Conklin
9. Juanito Dakis
- 10a. Alfredo DiNunzio
- 10b. CMR Day Spa, LLC
- 10c. Alfredo, LLC
- 10d. Di Roma, LLC
11. Malek Karch
12. Boris Khodzhoyan
13. Camie Lynn Peachy
14. Robert Brooks Peterson
- 15a. Victor Castillo Ruiz
- 15b. Maria Adela Ruiz
16. Randal Torres
17. Westcoast Powercats, Inc.

I3. Local Tax Reallocation Matters

There are no items for this matter.

Chief Counsel Matters

Items that appear under these matters provide information to the Members and may require Board action or direction.

J. Rulemaking

Section 100 Changes

- J1. [Sales and Use Tax Regulation 1802, Place of Sale and Use for Purposes of Bradley-Burns Uniform Local Sales and Use Taxes +](#) Mr. Heller

Staff request for authorization to complete Rule 100 changes to update cross-references in Regulation 1802 to make the regulation consistent with 2012 amendments to Regulation 1684.

There are no items for the following matters:

- K. Business Taxes
- L. Property Taxes
- M. Other Chief Counsel Matters

Administrative Session

Items that appear under these matters provide information to the Members and may require Board action or direction.

- N. **Consent Agenda** Ms. Richmond
(Contribution Disclosure forms not required pursuant to Gov. Code, § 15626.)

N1. [Retirement Resolutions +](#)

- John Huk
- Nancy Pin-Pin Li

N2. [Approval of Board Meeting Minutes](#)

- [April 22, 2014 +](#)

N3. [Proposed Revisions to the Compliance Policy and Procedures Manual Chapter 5, Returns +](#)

N4. [Adoption of Property Tax Forms +](#)

- BOE-58-AH *Claim for Reassessment Exclusion for Transfer Between Parent and Child*
Revised instructions to add information regarding taxpayers ability to file "place-holder" claims when all information is not available by the filing deadline. Clarified that the value requested is the factored base year value.
- BOE-58-G *Claim for Reassessment Exclusion for Transfer From Grandparent to Grandchild*
Revised instructions to add information regarding taxpayers ability to file "place-holder" claims when all information is not available by the filing deadline. Clarified that the value requested is the factored base year value.

- BOE-268-B *Free Public Library or Free Museum Claim*
Revised to add a box for assessor's parcel number.
- BOE-502-D *Change in Ownership Statement—Death of Real Property Owner*
Revised to add a box for assessor's parcel number and instructions regarding filing requirements when multiple parcels are involved.
- ~~BOE-571-W~~ ~~*2015 Wind Generation Property Statement*~~
~~This is a new property statement that was developed to gather data from this emerging industry after consultation with assessors and industry.~~
- BOE-577 *Aircraft Property Statement*
Revised to make bold the notation on the top of page 1 regarding filing the claim; made various revisions on page 2 to capture relevant data necessary to make value determinations.

O. Adoption of Board Committee Reports and Approval of Committee Actions

- O1. Legislative Committee – May 22, 2014
- ~~O2. Customer Service and Administrative Efficiency Committee – May 22, 2014~~
- O3. Business Taxes Committee – April 22, 2014
- O4. Business Taxes Committee – May 22, 2014
- O5. Property Tax Committee – May 22, 2014

P. Other Administrative Matters

- P1. Executive Director's Report Ms. Bridges
 - 1. [Report on time extensions to Del Norte, El Dorado, Lake, Mariposa, Modoc, Tehama, Trinity, and Yuba Counties to complete and submit 2014/15 Local Assessment Roll, pursuant to Revenue and Taxation Code section 155.](#) +
 - 2. CROS Project Update Mr. Steen
Progress on the CROS project to replace BOE's two current tax legacy technology systems.
- P2. Chief Counsel Report
There are no items for this matter.
- P3. Sales and Use Tax Deputy Director's Report Mr. McGuire
 - 1. [Security Deposit Update](#) +
An update regarding the Sales and Use Tax Department's security deposit release process.

- P4. Property and Special Taxes Deputy Director's Report..... Mr. Gau
1. [Adoption of 4-R Act Equalization Ratio for 2014/15 +](#) Mr. Fitz
Ensures that rail transportation property is assessed at the same percentage of market value as all other commercial/ industrial property.
- P5. Administration Deputy Director's Report..... Ms. Houser
1. ~~Expanding Government Services..... Ms. Demes~~
~~A report will be provided on the number of new offices opened and to be opened and a report on the number of new positions created since 2009.~~

There are no items for the following matters:

- P6. Technology Deputy Director's Report
- P7. External Affairs Deputy Director's Report

Announcement of Closed Session Ms. Richmond

Q. Closed Session

- Q1. Discussion and approval of staff recommendations regarding settlement cases (Rev. & Tax. Code, §§ 6901, 7093.5, 30459.1, 50156.11).
- Q2. Pending litigation: *Lucent Technologies, Inc., and AT&T Corp. v. State Bd. of Equalization*, Superior Court of Los Angeles (Case No. BC402036) (Lucent I), consolidated with *Lucent Technologies, Inc., v. State Bd. of Equalization*, Superior Court of Los Angeles (Case No. BC448715) (Lucent II) (Gov. Code, § 11126(e)).
- Q3. Discussion and action on personnel matters (Gov. Code, § 11126(a)).

Announcement of Open Session..... Ms. Richmond

Adjourn

General information regarding Board and Committee Meetings can be found at www.boe.ca.gov/meetings/boardcomm.htm. If you would like specific information regarding items on this Notice and Agenda, please telephone (916) 322-2270 or email: MeetingInfo@boe.ca.gov. Please be advised that material containing confidential taxpayer information cannot be publicly disclosed.

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The hearing location is accessible to people with disabilities. Please contact Rose Smith at (916) 323-9656, or email Rose.Smith@boe.ca.gov if you require special assistance.

Joann Richmond, Chief
Board Proceedings Division

- * Public comment on any committee agenda item will be accepted at the beginning of the committee meeting. Subsequent to committee meetings, committee agenda items may be taken up separately during the Board meeting.
- ** Public comment on any agenda item, other than a Closed Session item or an item which has already been considered by a Board Committee, will be accepted at that meeting.
- + Material is available for this item.
- ++ Material will be available at a later date.
- 'CF' Constitutional Function – The Deputy State Controller may not participate in this matter under Government Code section 7.9.