

May 28, 2015

John A. Mattson and Tara L. Mattson  
816470#

Cerda, Bob@FTB

**From:** John Mattson (jmattson) [jmattson@cisco.com]  
**Sent:** Tuesday, December 31, 2013 12:12 PM  
**To:** Cerda, Bob@FTB  
**Subject:** Reply to your Position Letter  
**Attachments:** Devils Knob Rentals 2006-2009.xlsx; Devils Knob Expenses 122313.xlsx; BlueRidgeGetaways.pdf

Bob Cerda  
State of California  
Franchise Tax Board

STATE BOARD OF EQUALIZATION



Re: Account Number 1101715862

Appeal Name: John & Tara Mattson  
Case ID: 816470 ITEM #: B5  
Date: 5/28/15 Exhibit No: 5.15  
TP **FTB** DEPT PUBLIC COMMENT

Hi Bob,

As we discussed by telephone, I am responding to your Position Letter dated September 26, 2013.

I am in substantial agreement with your positions regarding the Mortgage Interest Expense and the Depreciation Expense.

I am providing additional information, as you requested, to substantiate the deductions claimed for Rental Losses on the Devil's Knob Loop property.

Our activity in the Devil's Knob Loop property does qualify as a Trade or Business. We qualify under Exception "A" from page 4 of your Position Letter, ie the average period of use is seven days or less. To support this position we have provided the attached spreadsheet file, "Devils Knob Rentals 2006-2009" which lists our rental customers for the years 2006 to 2009, the dates of rental, the number of days for each rental, and the total gross rent paid. None of the rental periods in question exceeded seven days, so the criteria is met to qualify for this exception.

We also qualify as a Material Participant in the activity of renting this property to customers. We meet two of the requirements you cited in page 4 of your Position Letter under Section 1.469-5T(a), numbers 2 and 3. We participated in the activity for more than 100 hours during each of the 4 taxable years, and our participation in each of the 4 years constituted substantially all of the participation in such activity by all individuals for each year.

As you requested in page 5 of your Position Letter, we have provided in the attached spreadsheet "Devils Knob Expenses 122313" the following Information:

- A schedule of the dates we visited the property during the tax years

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2006 to 2009, the activities performed on each of those visits, and the total hours spent at the property performing these activities.

- We did not include the travel time to and from the property, which was significant – if this time was included the time spent would be considerably higher.
- We also both worked on the property together on all occasions, so if each of our hours are considered separately the time spent would be double what we have reported.

The spreadsheet provides complete detail of our expenses on each trip, with references to the credit card statements where the expenses appear, or otherwise references to checks from our account, with check numbers and dates.

- We have copies of all of these credit card receipts along with assorted store receipts from individual transactions.
- Because of the volume of paperwork involved with these receipts, we have not provided all of that detail at this time. If you require us to do so, we will compile our copies of these receipts and mail them to you separately via US Mail. In order to insure a timely reply to your Position Letter we elected to send you the summary spreadsheet first, and we await your decision as to whether this is sufficient documentation.

On page 5 of your position letter you also referenced the Rental Management Company. We did use a management company, Blue Ridge Getaways, for the period from 2004 to 2006.

We were unhappy with the service they provided for the cost, and we stopped using them in the spring of 2006. One of the reasons we stopped using Blue Ridge Getaways was that they were not spending any time marketing or servicing our property. They were renting to the same small set of people each year, who we were subsequently able to rent to directly, and they were spending much less than 1 hour per month checking on the property.

We have provided their year-end summary for 2006 tax reporting, but we are unable to locate a copy of their rental contract.

The 2006 summary is attached as the file titled "BlueRidgeGetaways."

In the tax years 2007 to 2009, the amount of Commissions and Management fees were \$750 per year in total. This was a personal arrangement we maintained with a local business person who referred rental clients to us, kept a key to the house, and occasionally checked on the house for us when we asked him to – which was approximately 4 times per year. His total time invested never amounted to more than 5 hours per year.

I believe this response addresses all of the questions and requests from your Position Letter. Hopefully this will provide you with all of the information

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needed to complete your work on this case.

Thanks and Happy Holidays,

John Mattson

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Renter	Arrival	# Nights	Rate	Total Rent
Kalow	01/01/2006	6	\$550	\$3,300
Dejong	02/17/2006	4	\$450	\$1,800
2006 Total				\$5,100

Renter	Arrival	# Nights	Rate	Total Rent
Kalow	12/31/2006	5	\$550	\$2,750
Alpert	01/12/2007	4	\$500	\$2,000
Mason	01/26/2007	3	\$400	\$1,200
Kinnear	02/01/2007	4	\$450	\$1,800
Dejong	02/15/2007	5	\$450	\$2,250
2007 Total				\$10,000

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Renter	Arrival	# Nights	Rate	Total Rent
Kalow	12/30/2007	6	\$550	\$3,300
Alpert	01/11/2008	5	\$450	\$2,250
Mason	01/25/2008	4	\$425	\$1,700
Dejong	02/14/2008	5	\$450	\$2,250
2008 Total				\$9,500

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Renter	Arrival	# Nights	Rate	Total Rent
Kalow	12/30/2008	6	\$550	\$3,300
Alpert	01/15/2009	5	\$500	\$2,500
Mason	01/23/2009	4	\$425	\$1,700
Terry	01/30/2009	3	\$475	\$1,425
Dejong	02/19/2009	5	\$450	\$2,250
Gilson	06/19/2009	4	\$400	\$1,600
Kaney	07/02/2009	5	\$425	\$2,125
Adams	07/24/2009	4	\$400	\$1,600
2009 Total				\$16,500

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