

Memorandum

To: Honorable Judy Chu, Ph.D, Chairwoman
Honorable Betty T. Yee, Vice-Chair
Honorable Bill Leonard, Second District
Honorable Michelle Steel, Third District
Honorable John Chiang, Controller

Date: August 8, 2008

From: Kristine Cazadd
Chief Counsel

Subject: **Report on Eagle Lodge West and Request for Approval to Continue Participation in Simplification Project**
August 20, 2008 Board Meeting – Item M2 – Other Chief Counsel Matters

On May 2-3, 2008, Board Legal Staff participated in Eagle Lodge West, a meeting of tax practitioners and government tax attorneys designed to foster dialogue and discussion regarding difficult tax issues. This memorandum sets forth: (1) a general background of Eagle Lodge West; (2) a brief discussion of the Eagle Lodge West meeting on May 2-3, 2008; and (3) a request for approval of the creation of an evaluation team to consider tax law procedures simplification proposals.

I. Background of Eagle Lodge West

The California State Bar's State and Local Tax Committee hosts the Eagle Lodge West (ELW) conference each Spring. The purpose of the conference is to provide a forum at which government and private tax practitioners can discuss difficult tax issues with an eye towards identifying potential solutions that can be the subject of legislative or regulatory reform. All participants agree that discussions at the conference are "off-the-record" in order to facilitate frank and candid participation. However, minutes of general discussions are published in the California Tax Lawyer.¹

II. May 2-3, 2008 Conference

Board Legal Staff participated in the discussion of two topics: (1) simplification of FTB and BOE procedures; and (2) certain change in ownership issues.

The simplification project is being led by Professor J. Clark Kelso of the McGeorge School of Law, whose stated goal is to "review current tax laws, regulations, and internal procedures to streamline, simplify, and make uniform statutes and regulations to make taxpayer services more

¹ The minutes of the meeting are not finalized as of the publication of this memorandum. However, they will be distributed to the Board Members and posted with the agenda as soon as they are available.

accessible, increase voluntary compliance and agency efficiency while reducing tax administration costs.” Professor Kelso will develop specific proposals for consideration.

Change in ownership topics discussed included the treatment of intervening estates (those estates where property is transferred by a testator first to a temporary recipient before being transferred to an ultimate owner), life estates, and non-pro rata distributions of trust assets. Private practitioners indicated that Staff’s historic position on non-pro rata trust distributions could be clarified and Staff agreed that the publication of a Letter to Assessors regarding that topic would be helpful.

III. Staff’s Request for Approval of the Creation of an “Evaluation Team”

Given the discussions at ELW and Professor Kelso’s ongoing work and expectation of providing specific proposals for which comments will be sought, and the potential benefit that may be derived from those proposals, we recommend the creation of a “Tax Law Evaluation Team” consisting of representatives from SUTD, PSTD, Legal, Legislative Division, and Board Proceedings that would evaluate specific proposals, solicit input from interested parties as appropriate, and make recommendations for Board action to the Board Members when warranted.

Approved: _____
Ramon J. Hirsig
Executive Director

KEC:

cc: Mr. Ramon Hirsig, MIC: 73
Mr. David Gau, MIC: 63
Ms. Randie Henry
Ms. Margaret Shedd
Mr. Robert Lambert, MIC: 82
Mr. Dean Kinnee, MIC: 64
Mr. Todd Gilman, MIC: 70