

## 1 CALIFORNIA STATE BOARD OF EQUALIZATION

## 2 APPEALS DIVISION BOARD HEARING SUMMARY

3 In the Matter of the Petition for Redetermination )  
 4 Under the Sales and Use Tax Law of: )  
 5 PRETTY-PRETTY PROPS, INC. ) Account Number: SR BH 100-408716  
 6 Petitioner ) Case ID 487570  
 ) City and County of San Francisco

7  
 8 Type of Business: Furniture and party prop rentals

9 Audit period: 1/1/05 – 12/31/07

10 <u>Item</u>	<u>Disputed Amount</u>
11 Understated taxable rentals	\$166,369
12 Unreported supply purchases	\$ 24,953
13 Tax determined and protested	\$16,242.58
14 Interest through 11/30/11	<u>7,304.56</u>
14 Total tax and interest	<u>\$23,547.14</u>
15 Monthly interest beginning 12/1/11	<u>\$81.21</u>

## 16 UNRESOLVED ISSUES

17 **Issue 1:** Whether petitioner has established that any adjustments are warranted to the  
 18 understated taxable rentals. We conclude petitioner has not.

19 Petitioner rents furniture and party props and sells flowers. While petitioner collected sales tax  
 20 reimbursement on its flower sales, it considered its rental inventory to be tax paid and did not collect  
 21 tax reimbursement or pay tax on any of its rental receipts. Upon audit, the Sales and Use Tax  
 22 Department (Department) found that petitioner failed to pay tax on the cost of some of its rental  
 23 inventory, and was thus liable for tax on the rentals payable from the rental of that portion of its rental  
 24 inventory. Petitioner contends that the \$166,369 audited amount of rentals payable from the rental of  
 25 rental inventory that was not tax paid is overstated, but has not provided documentation to show such  
 26 was the case. Since we find that the Department's calculation of the taxable rentals was reasonable  
 27 and petitioner has not shown otherwise, we conclude no adjustments are warranted.

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

**Issue 2:** Whether petitioner has established that any adjustments are warranted to the unreported purchases of supplies. We conclude petitioner has not.

The Department examined petitioner’s supply purchases on an actual basis and determined that petitioner purchased \$24,953 of supplies from out-of-state vendors that were shipped to petitioner via common carriers without payment of tax or tax reimbursement. Petitioner contends that the audited amount of taxable supply purchases is overstated, but has not provided documentation to show that the Department’s calculation of the deficiency is wrong, or that it either paid tax to the Board or to an authorized vendor as to any of the subject purchases. Accordingly, we conclude no adjustments are warranted.

**OTHER DEVELOPMENTS**

None.

Summary prepared by Pete Lee, Business Taxes Specialist II