



Inyo

A P P E A L S

Property Taxes

The Members of the Board of Equalization hear appeals concerning the assessed values of state-assessed properties, private railroad cars, and taxable properties owned by local governments but located outside their boundaries. The Board also hears appeals of timber tax decisions and welfare exemption claim denials. While disputes may be resolved through discussion with staff, the Board Members make the ultimate decision on all property tax appeals. All Board decisions are final.

In 2002-03, taxpayers filed 97 property tax appeals with the Board:

- 94 petitions from state-assessed public utilities.
- 3 applications for review, equalization, and adjustment for local government properties.

Sales & Use Taxes and Special Taxes & Fees

Taxpayers who disagree with staff decisions regarding taxes or fees they owe may seek resolution through the Board's administrative appeals process. The process begins with filing a written appeal (petition for redetermination) and discussions with Board staff. The appeal may progress through a series of steps to a hearing before the Board Members.

Petitions for redetermination filed this year included

- 1,599 sales and use tax appeals
- 374 special taxes appeals

A taxpayer whose appeal is denied by the Board may file a timely claim for refund. If the Board denies the claim, the taxpayer may file a refund action in superior court.

The agency also offers a settlement program for certain tax and fee disputes as well as an offer in compromise program for closed-out businesses that cannot pay the full tax or fee amounts they owe. In 2002-03, staff settled 171 sales and use tax cases for a total settlement amount of \$16.31 million. The Board approved nine special taxes or fee settlements for a total settlement amount of \$246,000.

Franchise and Personal Income Taxes

The elected Board Members serve as an administrative appeal body over final actions by the California Franchise Tax Board (FTB). In that capacity, the Board interprets and applies the state's franchise and income tax laws. The Board hears appeals filed under the

- Bank and Corporation Tax Law
- Personal Income Tax Law

- Homeowner and Renter Property Tax Assistance Law
- Taxpayers' Bill of Rights Law

If a taxpayer disagrees with a determination by the FTB, the taxpayer may appeal that determination to the Board. The agency's Appeals Section evaluates the issues of law and fact for each appeal based on the information provided by each party. The Board Members review the staff evaluation and any additional information found in the written record or provided at a hearing and make a final determination. If the Board denies a taxpayer's appeal, the taxpayer may pursue the matter further by filing a refund action in superior court.

While any taxpayer dissatisfied with a final action of the Franchise Tax Board may file an appeal with the Board, taxpayers who have paid their tax liability may choose instead to file an action in superior court following final action by the FTB. Consequently, the appeal statistics in this section do not necessarily reflect the total number of California taxpayers who disputed a final action by the FTB in 2002-03.

Franchise and Personal Income Taxes

In 2002-03, the Board received 798 appeals filed under the Bank and Corporation Tax Law and the Personal Income Tax Law. The Board issued 418 decisions, considering 97 of the cases at oral hearings and deciding the remaining appeals based upon a review of the written record. Fifty-four of the appeals were petitions for rehearing.

Homeowner and Renter Assistance

In 2002-03, the Board received 1,610 homeowner and renter property tax assistance appeals. The Board dismissed 963 appeals because the FTB paid the appellants' claims in full or in part, or because the appellants agreed with the FTB that they were not entitled to the assistance. The Board issued 273 decisions, considering 7 of the cases at oral hearing and deciding the remainder based on review of the written record. Applicants filed 8 petitions for rehearing.

Significant Court and Board Decisions

Court Decision

Corporate Dividends Received Deduction

California Revenue and Taxation Code section 24402, known as the "dividends received deduction," violates the Commerce Clause of the United States Constitution by discriminating against corporations engaged in interstate commerce. The section is discriminatory on its face because it affords corporate taxpayers an income tax deduction for dividends

received from corporations subject to tax in California without offering a similar deduction for dividends received from corporations not subject to tax in California.

Farmer Bros. Co. v. FTB (2003) 108 Cal.App.4th 976

Board Decisions

Apportionment of Corporate Income

Hyperinflation in the Mexican economy did not cause distortion in the standard formula for apportioning a corporate taxpayer's income.

Appeal of Crisa Corporation (2002-SBE-004)
June 20, 2002

Sales of Electricity

When sales of the generation and transmission of electricity to California entities are sales of services performed for the most part outside California, they qualify as sales of "other than tangible personal property" under Revenue and Taxation Code section 52136 and are properly excluded from the appellant's sales factor for apportioning income.

Appeal of PacifiCorp (2002-SBE-005)
September 12, 2002