



BEFORE THE STATE BOARD OF EQUALIZATION
OF THE STATE OF CALIFORNIA

In the Matter of the Appeal of }
JEFFRIES BANKNOTE COMPANY }

Appearances:

For Appellant: W. B. Jeffries and Lawrence L. Jeffries

For Respondent: Chas, J. McColgan, Franchise Tax Commissione.

O P I N I O N

This is an appeal pursuant to Section 25 of the Bank and Corporation Franchise Tax Act (Chapter 13, Statutes of 1929, as amended) from the action of the Franchise Tax Commissioner in overruling the protest of the Appellant to his proposed assessment of an additional tax in the amount of \$83.37, based upon its return for the year ended December 31, 1933.

In its return for the year ended December 31, 1933, Appellant deducted the sum of \$7,872.28 as bad debts ascertained to be worthless and charged off during the year. The Commissions disallowed as a deduction debts amounting to \$5,843.33 on the ground that the debts should have been deducted in a prior year, and, accordingly, proposed the additional assessment in question.

The only argument Appellant makes in support of its contention that it was entitled to a deduction in the full amount taken is that it has been in the same business for forty years and believes that it is a better judge than the Commissioner as to the time when an account is no longer collectible. We do not believe that this is sufficient grounds for reversing the Commissioner. We appreciate that Appellant's judgment as to the time when a debt become worthless is entitled to great respect. We are of the opinion, however, that we should not set aside the Commissioner's determination unless it appears that he acted arbitrarily or unreasonably.

One of the debts disallowed was a debt due from the Apache Motor Corporation in the amount of \$1,859.85. This amount represents the balance due in 1933 on obligations incurred during 1929 and January, 1930. The last payment on the account was made in September 1930. The Appellant, in 1931, obtained judgment for the full amount due. Notwithstanding this fact, Appellant, in the fall of 1932, indicated its willingness to accept the sum of \$92.95 in settlement of the debt.

On the basis of the above circumstances, we think one could reasonably conclude that the debt was ascertained to be worthless in 1932. The fact that Appellant, after obtaining judgment for the full amount of the debt, was willing to accept in payment a

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sum scarcely sufficient to cover costs and attorney's fees, clearly indicates that Appellant considered the debt of but little value.

From the protest to the proposed additional assessment which Appellant filed with the Commissioner, it appears that the remainder of the debts disallowed as a deduction by the Commissioner were acquired during 1930 and 1931. In a few instances, payments on account were made as late as 1932, but in the case of most of the debts no payments were made after 1931, and in the case of many of the debts, no payments were made after 1930. Appellant states, nevertheless, it had hopes of collecting the debts until 1933 when they were charged off. Appellant has not, however, furnished any information respecting the financial status of its debtors, or called to our attention any other facts tending to show that it was justified in entertaining such hopes. Under the circumstances, we think we would clearly not be justified in holding that the Commissioner acted arbitrarily or unreasonably in disallowing the debts as a deduction for the year 1933.

For the above reasons we must sustain the Commissioner's action in overruling Appellant's protest to the proposed additional assessment in question.

O R D E R

Pursuant to the views expressed in the opinion of the Board on file in this proceeding, and good cause appearing therefor,

IT IS HEREBY ORDERED, ADJUDGED AND DECREED, that the action of Charles J. McColgan, Franchise Tax Commissioner, in overruling the protest of Jeffries Banknote Company, a corporation, against a proposed assessment of an additional tax in the amount of \$83.37, based upon the return of said corporation for the year ended December 31, 1933, pursuant to Chapter 13, Statutes of 1921 as amended, be and the same is hereby sustained.

Done at Sacramento, California, this 25th day of October, 1935, by the State Board of Equalization.

Chairman