



STATE BOARD OF EQUALIZATION
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Fourth District, Los Angeles
JOHN CHIANG
State Controller
CYNTHIA BRIDGES
Executive Director

STATE BOARD OF EQUALIZATION MEETING
450 N Street, Room 121, Sacramento
NOTICE AND AGENDA
Meeting Agenda (as of 8/13/2013, 11:30 AM)

Agenda Changes

Webcast on Tuesday, August 13, 2013

Tuesday, August 13, 2013

10:00 a.m. Board Committee Meetings Convene*

Board Meeting convenes upon Adjournment of the Board Committee Meetings**

Agenda items occur in the order in which they appear on the agenda. When circumstances warrant, the Board's Chair may modify the order of the items on the agenda.

Board Committee Meetings*

Legislative Committee.....Mr. Horton, Committee Chairman

2013 Legislative Bills-Recommendation for Board Position:

- SB 582 One Stop Taxpayer Portal (Knight)
AB 833 One Stop Taxpayer Portal (Harkey)

Customer Service and Administrative Efficiency Committee.....

Ms. Steel, Committee Chairwoman

- 1. Helping Consumers and Businesses Identify Sales Tax Rates
Planned Improvements to Help Consumers and Businesses Determine the Correct District Tax Rate.

Business Taxes Committee.....Ms. Yee, Committee Chairwoman

- 1. Proposed Revisions to Regulation 1705, Relief from Liability
Request approval and authorization to publish proposed amendments to extend Section 6596 relief to a person if their liability was due to reliance on erroneous advice provided in the prior audit of another person.
2. Proposed Revisions to Regulation 1502, Computers, Programs, and Data Processing
Request approval and authorization to publish proposed amendments to clarify the application of tax to optional software maintenance agreements, and report on discussions with interested parties regarding site licenses.

Board Meeting**

- A. Homeowner and Renter Property Tax Assistance Appeals Hearings
There are no items for this matter.

B. Corporate Franchise and Personal Income Tax Appeals Hearings
(Contribution Disclosure forms required pursuant to Gov. Code, § 15626.)

B1. Tonja M. Jarrell, 571357 +

For Appellant: Sonia Zaheer, Representative
For Franchise Tax Board: Marguerite Mosnier, Tax Counsel
Diane Ewing, Tax Counsel

B2. Prudent Staffing Services, 602283 +

For Appellant: Eno (Nancy) Oduok, Representative
For Franchise Tax Board: Eric Yadao, Tax Counsel
Karen Smith, Tax Counsel

B3. Michael O. Gualco and Rex-Ann S. Gualco, 640336 +

For Appellants: Michael O. Gualco, Taxpayer
Rex-Ann Gualco, Taxpayer
For Franchise Tax Board: Eric Yadao, Tax Counsel
Karen Smith, Tax Counsel

B4. Ivon Pitti, 688101 +

For Appellant: Ivon Pitti, Taxpayer
For Franchise Tax Board: Marguerite Mosnier, Tax Counsel
Diane Ewing, Tax Counsel

C. Sales and Use Tax Appeals Hearings

(Contribution Disclosure forms required pursuant to Gov. Code, § 15626.)

~~C1a. Amador Patino and Gerardo Javier Guzman, 532069, 549106 (CH) +~~

~~C1b. La Primavera Products Svcs., Inc., 550549 (CH) +~~

~~For Petitioners/Taxpayers: Amador Patino, Taxpayer
Michan Evonc, Representative
For Department: Scott Lambert, Hearing Representative~~

C2. JI Medical, Inc., 562873 (AS) +

For Petitioner: Waived Appearance
For Department: Monica Silva, Tax Counsel

~~C3. Penryn Lumber Company, 554162 (KH) +~~

~~For Petitioner: Dale Martell, Taxpayer
James H. Koether, Representative
Matthew F. Heinrich, Representative
For Department: Cary Huxsoll, Tax Counsel~~

D. Special Taxes Appeals Hearing

(Contribution Disclosure forms required pursuant to Gov. Code, § 15626.)

D1a. Orange Tree Fresh Fruit & Nuts, 527196 (STF) +

D1b. Orange Tree Fresh Fruit & Nuts, 527198 (STF) +

D1c. Orange Tree Fresh Fruit & Nuts, 527202 (STF) +

For Petitioners: Waived Appearance

For Department: Carolee Johnstone, Tax Counsel

E. Property Tax Appeals Hearings

There are no items for this matter.

F. Public Hearing

F1. Proposed Adoption of Sales and Use Tax Regulation 1566.1, *Auto Auctions and Auto Dismantlers* +Mr. Heller

Public hearing regarding the adoption of a new regulation to implement, interpret, and make specific the presumption established by Revenue and Taxation Code section 6092.5.

G. Tax Program Nonappearance Matters – Consent

(Contribution Disclosure forms not required pursuant to Gov. Code, § 15626.)

G1. Legal Appeals Matters Mr. Angeja

➤ Hearing Notices Sent – No Response

1. Interior Design Specialists, Inc., 553909 (EH)

2. Ker, Inc., 467118 (FH)

3. Amritpal Kaur Lehra, 532084, 533074 (DF)

4. Robert W. McDonald and Margaret McDonald, 349576 (UT)

5. Streamline Foam, Inc., 511658 (UT)

6. Silverline Trailer Sales, LLC, 558999 (KH)

➤ Petitions for Rehearing

7. East Coast Foods, Inc., 444779 (AS)

8. Jose E. Sanchez, 489568, 505671 (EA)

9. Union Outlet, Inc., 547468 (AS)

G2. Franchise and Income Tax Matters Mr. Thompson

➤ Hearing Notices Sent – No Response

1a. Benjamin F. Killen, 606504

1b. James V. Robertson, 608631

1c. Champion Wiseman, 608439

2. Ty D. Kirkpatrick and Pauline P. Kirkpatrick, 626170

3. Thomas J. Meriwether and Caryn B. Meriwether, 636512

➤ Decisions

4. Thomas Bledsoe and Lori Bledsoe, 601105

5. Celestine Coleman, 601333

6. Bruce A. Conklin, 601395

7. Charles Cullen and Philomena Cullen, 593634

8. Elias Gallegos III, 575218, 575222

9. Joseph R. Gerardo, 576173
 10. Michael Minor, 595878
 11. Nareshbhai Patel and Vasantinben Patel, 599548
 12. Juan Ramirez, 575000
 13. Pamela A. Ricci, 588394
 14. Virgilo Romero and Hortencia Romero, 611878
 15. Bradley Silcox, 608450
 16. Sunshine Auto Parks and Building Services, 597349
 17. Israel Ury and Betty Ury, 586421
 - Petitions for Rehearing
 18. Antonio Gallo, 595225
 19. Steven Olmos, 600499
 20. Richard B. Pallack, 527752
- G3. Homeowner and Renter Property Tax Assistance Matters
There are no items for this matter.
- G4. Sales and Use Taxes Matters.....Mr. McGuire
- Redeterminations
 1. Chula Vista Electric Co., 529708 (FH)
 2. Banctec Third Party Maint, Inc., 595632 (OH)
 3. Ricoh USA, Inc., 343235 (OH)
 4. The Wella Corporation, 554875 (AC)
 5. Siemens Transportation, 625728 (OH)
 6. Portola Valley Shell, 523629 (BH)
 - Relief of Penalty/Interest
 7. Gamestop, Inc., 732966 (OH)
 8. Lutron Electronics Co., Inc., 733591 (OH)
 - Denials of Claims for Refund
 9. ~~Rohr, Inc., 569314 (OH)~~
 10. Novell, Inc., 474064 (OH)
 - Grant-One Day Interest Relief
 11. Port Plastics, Inc., 733901 (EH)
 12. McKenna Motors Huntington Beach, Inc., 733913 (EA)
 13. Golden West Restaurants, Inc., 733918 (EA)
 14. Foothill Mill & Lumber Co., Inc., 733915 (KH)
 15. Northwestern Industries, Inc., 733907 (OH)
 16. Café Stella, Inc., 733904 (AS)
 17. Tacaza, Inc., 733920 (DF)
 18. Trattoria Amici/Americana, LLC, 733910 (AP)
 19. Brentwood Feed & Pet Supply, Inc., 733911 (CH)
- G5. Sales and Use Taxes Matters – Credits, Cancellations, and RefundsMr. McGuire
- Credits and Cancellations
 1. The Leather Factory, Inc., 733582 (AA)
 2. R. Ring Enterprises, Inc., 734200 (CH)
 3. Robert A. Brutyn, 728743 (JH)
 4. Intuitive Surgical, Inc., 735427 (GH)
 5. Edward James Graves, 731902 (EH)
 - Refunds
 6. County of San Bernardino Attn. Aud., 730369 (EH)
 7. Novellus Systems, Inc., 721479 (GH)

8. Gelco Corporation, 727959 (OH)
9. Valero Refining Co.-CA, 714317 (OH)
10. Edwards Theatres, Inc., 729195 (OH)
11. Trader Joe's Company, 609726 (AP)
12. Conceptus, Inc., 732881 (GH)
13. Conceptus, Inc., 577459 (GH)
14. Regal Cinemas, Inc., 728348 (OH)
15. Boeing Satellite Systems, Inc., 725151 (AS)
16. Balboa Thrift & Loan Association, 705981 (FH)
17. Villa Amorosa, 575260 (JH)
18. A-L Financial Corp., 714053 (EA)
19. Cook Medical Incorporated, 576304 (OH)
20. Citigroup, Inc., & Subsidiaries & Affiliates, 603362 (OH)
21. Payless Shoesource Distribution, 578281 (OH)
22. Wistron Infocomm Technology America Corporation, 675514 (OH)

- G6. Special Taxes Matters Mr. Gau
- Redeterminations
 1. Mercury Insurance Company, 343345 (STF) 'CF'
 2. Mercury Casualty Company, 343347 (STF) 'CF'
 3. Mercury Casualty Company, 444716 (STF) 'CF'
 4. Mercury Insurance Company, 444718 (STF) 'CF'
 - Relief of Penalty
 5. Idemitsu Apollo Corporation, 730465 (STF)

There are no items for the following matters:

- G7. Special Taxes Matters – Credits, Cancellations, and Refunds
 G8. Property Tax Matters
 G9. Cigarette License Fee Matters
 G10. Legal Appeals Property Tax Matters

H. Tax Program Nonappearance Matters – Adjudicatory

(Contribution Disclosure forms required pursuant to Gov. Code, § 15626.)

- H1. Legal Appeals Matters Mr. Angeja
- Cases Heard Not Decided
 1. Data Physics Corporation, 425711, 473226 (GH) +
 2. Nnadi Linus Udengwu, 515515 (AP) +
 3. Sonja M. Craighton, 558975 (KH) +
 4. Store2Door, Inc., 352179 (AC) +
 - 5a. Blowfish SR, LLC, 479540 (GH) +
 - 5b. Blowfish, LLC, 484932 (BH) +
 6. Hardip Singh Sandhu, 533270 (KH) +
 - Petition for Rehearing
 7. Akop Jack Chichyan, Vicken Djeredjian, and Mnatsakan Mike Grigoryan, 388129 (STF) +
 - Section 40 (AB 2323) Matters
 8. Loh Sun International, Inc., Kent La, Nancy La, and John La, 480987, 480989, 506428 (STF) +

- H2. Franchise and Income Tax Matters Mr. Thompson
- Hearing Notices Sent – No Response
 - 1a. James S. Gandrup, 605520
 - 1b. Carol Grant, 600451
 - 1c. Eldo M. Klingenberg, Jr., 600453
 - 1d. Dan Pickell, 600488
 - 1e. Marianne Pretscher-Johnson, 605527
 - 1f. Darrell L. Rich, 608471
 - Petition for Rehearing
 2. Scott L. Stringer and Irene Stringer, 609814, 610020
 - Case Heard Not Decided
 3. David Du Tran and Thuyen Thi Tran, 547815

There are no items for the following matters:

- H3. Homeowner and Renter Property Tax Assistance Matters
- H4. Sales and Use Taxes Matters
- H5. Sales and Use Taxes Matters – Credits, Cancellations, and Refunds
- H6. Special Taxes Matters
- H7. Special Taxes Matters – Credits, Cancellations, and Refunds
- H8. Property Tax Matters
- H9. Cigarette License Fee Matters
- H10. Legal Appeals Property Tax Matters

I. Tax Program Nonappearance Matters

(Contribution Disclosure forms not required pursuant to Gov. Code, § 15626.)

- I1. Property Taxes Matters..... Mr. Gau
- Board Roll Changes
 1. 2011 and 2012 Board Rolls of State Assessed Property 'CF'
- I2. Offer in Compromise Recommendations Mr. Anderson
1. Sharina Alloush
 2. Mark Alvin Bell
 3. Ronald F. Maciej
 4. David Todd Methven
- I3. Local Tax Reallocation Matters..... Ms. Nienow
- Petition for Rehearing
 1. [City of Milpitas, 571838 +](#)
 - Section 40 (AB2323) Matters
 2. [City of Fillmore, 466375 +](#)

Chief Counsel Matters

Items that appear under these matters provide information to the Members and may require Board action or direction.

J. Rulemaking

- J1. [Second Readoption of Emergency Regulation 2000, Retailer Reimbursement Retention +](#) Mr. Heller
- Recommendation and request for second readoption of emergency Regulation 2000 to maintain the status quo while the Board considers the adoption of a permanent regulation.

Section 100 Changes

J2. Proposed amendments to Regulation 1642, *Bad Debts* +Mr. Heller

Request authorization to publish proposed amendments to make the regulation consistent with amendments to Revenue and Taxation Code sections 6055 and 6203.5.

There are no items for the following matters:

- K. Business Taxes
- L. Property Taxes
- M. Other Chief Counsel Matters

Administrative Session

Items that appear under these matters provide information to the Members and may require Board action or direction.

N. Consent Agenda Ms. Richmond (Contribution Disclosure forms not required pursuant to Gov. Code, § 15626.)

N1. Retirement Resolutions +

- MaryAnn Hay
- Irma De La Paz Hernandez
- James R. Hewitt
- Susan K. Janota
- Frank D. Love
- David L. Mayo
- Stephen R. Rudd

N2. Approval of Board Meeting Minutes

- December 18-19, 2012 +
- January 15, 2013 +

N3. Proposed revision to Audit Manual (AM) Chapter 1, *General Information* +

Request approval to add proposed AM section 0101.22, *Standard of Proof*.

~~N4. Proposed addition of new Compliance Policy and Procedures Manual (CPPM) Chapter 10, Statewide Compliance and Outreach Program (SCOP) +~~

~~Request approval to add new CPPM chapter.~~

O. Adoption of Board Committee Reports and Approval of Committee Actions

- ~~O1. Legislative Committee~~
- O2. Customer Service and Administrative Efficiency Committee
- O3. Business Taxes Committee

P. Other Administrative Matters

- P1. Executive Director's Report Ms. Bridges
1. 2013 Best of California Award – Center for Digital Government Ms. Fleming
Best IT Collaboration Among Organizations – Financial Institution Record Match Project – FIRM – Group Award to Board of Equalization, Employment Development Department and Franchise Tax Board.
 2. CROS Project Update and Actions Mr. Steen
Progress on the CROS project to replace BOE's two current tax legacy technology systems.

There are no items for the following matters:

- P2. Chief Counsel Report
- P3. Sales and Use Tax Deputy Director's Report
- P4. Property and Special Taxes Deputy Director's Report..... Mr. Gau
1. Fire Prevention Fee Program Update
- P5. Administration Deputy Director's Report + Ms. Houser
1. 2013/14 Legislative Budget Change Proposal +
A proposal will be presented for Board discussion and approval.
 - a. Senate Bill 90 and Assembly Bill 93, Manufacturer's Sales and Use Tax Exemption
 2. 2014/15 Budget Change Proposals +
Proposals will be presented for Board direction and approval for inclusion in the Governor's Fiscal Year 2014/15 Budget.
 - a. Fire Prevention Fee +
 - b. Southern California Appeals and Settlement Unit +
 - c. Headquarters Facility Consolidation +
 - d. ~~Intrusion Detection/Intrusion Prevention System +~~
 - e. Valuation Factors Studies +
 - f. ~~Managed Care Organization Tax (Leg. BCP deferred to FY 2014/15) +~~
 3. Bargaining Unit Contract Update
Highlights may be provided on the bargaining unit(s) and tentative agreement(s). A presentation may be provided on BOE employee's participation in educational enrichment, training and upward mobility programs pursuant to the *Memorandums of Understanding*.

There are no items for the following matters:

- P6. Technology Deputy Director's Report
- P7. External Affairs Deputy Director's Report

Announcement of Closed Session Ms. Richmond

Q. Closed Session

- Q1. Discussion and approval of staff recommendations regarding settlement cases (Rev. & Tax. Code, §§ 6901, 7093.5, 30459.1, 50156.11).
- Q2. Pending litigation: *Lucent Technologies, Inc., and AT&T Corp. v. State Bd. of Equalization*, Superior Court of Los Angeles (Case No. BC402036) (Lucent I), consolidated with *Lucent Technologies, Inc., v. State Bd. of Equalization*, Superior Court of Los Angeles (Case No. BC448715) (Lucent II) (Gov. Code, § 11126(e)).
- Q3. Pending litigation: *Myers v. State Bd. of Equalization, et al.*, Superior Court of Los Angeles (Case No. BS143436) (Gov. Code, § 11126(e)).
- Q4. Pending litigation: *Western States Petroleum Association v. State Bd. of Equalization*, Supreme Court of California (Case No. S200475) (Gov. Code, § 11126(e)).
- Q5. Discussion and action on personnel matters (Gov. Code, § 11126(a)).

Announcement of Open Session..... Ms. Richmond

Adjourn

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Joann Richmond, Chief
Board Proceedings Division

- * Public comment on any committee agenda item will be accepted at the beginning of the committee meeting. Subsequent to committee meetings, committee agenda items may be taken up separately during the Board meeting.
- ** Public comment on any agenda item, other than a Closed Session item or an item which has already been considered by a Board Committee, will be accepted at that meeting.
- + Material is available for this item.
- 'CF' Constitutional Function – The Deputy State Controller may not participate in this matter under Government Code section 7.9.