



STATE BOARD OF EQUALIZATION
450 N STREET, SACRAMENTO, CALIFORNIA
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BETTY T. YEE
First District, San Francisco
SEN. GEORGE RUNNER (RET.)
Second District, Lancaster
MICHELLE STEEL
Third District, Orange County
JEROME E. HORTON
Fourth District, Los Angeles
JOHN CHIANG
State Controller
CYNTHIA BRIDGES
Executive Director

**STATE BOARD OF EQUALIZATION MEETING
450 N Street, Room 121, Sacramento**

PRELIMINARY RECORD OF BOARD ACTIONS

Tuesday, April 22, 2014

The following is a preliminary record of Board actions taken at the April 22, 2014, Board Meeting. This is not an official record and is subject to correction or modification. The official record of the Board's actions is the minutes of the Board, which will be adopted at a subsequent meeting.

The Board's decision reflects only the issues resolved by the Board at the meeting. Issues resolved prior to the meeting are not reflected in this document.

If you would like specific information regarding items on this Preliminary Record of Board Action, please telephone Claudia Madrigal at 916-322-1931 or e-mail: Claudia.Madrigal@boe.ca.gov. Please be advised that material containing confidential taxpayer information cannot be publicly disclosed.

Board Committee Meetings – Please see Page 11, O. Adoption of Board Committee Reports and Approval of Committee Actions, for voting results.

Board Meeting

Chief Counsel Matters

J. Rulemaking

This item is scheduled for later in the day.

There are no items for the following matters:

- K. Business Taxes
- L. Property Taxes

M. Other Chief Counsel Matters

M1. Proposed Letter to Assessors regarding Property Tax Rule 21, *Taxable Possessory Interests-Valuation*

<u>DECISION</u>	<u>MEMBER</u>	<u>BOARD VOTE</u>
Approved the Letter to Assessors as presented by staff.	Mr. Horton	Yes
	Ms. Steel	Yes
	Mr. Runner	Yes
	Ms. Yee	Yes
	Mr. Chiang/ Ms. Mandel	Yes

- 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

B1. Robert J. Molinaro and Carol E. Molinaro, 715378

<u>DECISION</u>	<u>MEMBER</u>	<u>BOARD VOTE</u>
Taxpayer's appeal granted.	Mr. Horton	Yes
	Ms. Steel	Yes
	Mr. Runner	Yes
	Ms. Yee	Yes
	Mr. Chiang/ Ms. Mandel	Yes

B2. Camino Medical Group, Inc., 719011

<u>DECISION</u>	<u>MEMBER</u>	<u>BOARD VOTE</u>
Taxpayer's appeal granted.	Mr. Horton	No
	Ms. Steel	Yes
	Mr. Runner	Yes
	Ms. Yee	Yes
	Mr. Chiang/ Ms. Mandel	Not Participating

B3. Phillip E. Zepp, 710837, 728324, 741880

<u>DECISION</u>	<u>MEMBER</u>	<u>BOARD VOTE</u>
Taxpayer's appeal denied. The Board directed staff to inform the taxpayer of the Offer in Compromise program.	Mr. Horton	Yes
	Ms. Steel	Yes
	Mr. Runner	Yes
	Ms. Yee	Yes
	Mr. Chiang/ Ms. Mandel	Yes

C. Sales and Use Tax Appeals Hearings

C1. R & G Schatz Farms, Inc., 547724, 588579, 592624 (KH)

<u>DECISION</u>	<u>MEMBER</u>	<u>BOARD VOTE</u>
Taxpayer's petition partially granted/denied.	Mr. Horton	Yes
	Ms. Steel	Yes
	Mr. Runner	Yes
	Ms. Yee	Yes
	Mr. Chiang/ Ms. Mandel	Yes

~~C2. Jaswinder Kaur, 537383, 699250 (DF)~~

~~C3. Rigoberto Lopez Nunez, 559883 (DF)~~

- C4a. Nathan R. Duty, 534168 (KH)
C4b. Nathan R. Duty, 559940 (STF)

<u>DECISION</u>	<u>MEMBER</u>	<u>BOARD VOTE</u>
Taxpayer's petition denied.	Mr. Horton	Yes
The Board directed staff to inform the taxpayer of the Offer in Compromise program.	Ms. Steel	Yes
	Mr. Runner	Yes
	Ms. Yee	Yes
	Mr. Chiang/ Ms. Mandel	Yes

- ~~C5a. H&O, Inc., 547859, 709260 (GH)~~
~~C5b. H&O, Inc., 559975 (GH)~~
C6a. Gregory Scott Smith, 532481 (GH)
C6b. Amy Elaine Smith, 532485 (GH)

<u>DECISION</u>	<u>MEMBER</u>	<u>BOARD VOTE</u>
Taxpayer's petition denied.	Mr. Horton	Yes
	Ms. Steel	No
	Mr. Runner	No
	Ms. Yee	Yes
	Mr. Chiang/ Ms. Mandel	Yes

- C7. Ricky Alan Dumas, 547380 (KH)

<u>DECISION</u>	<u>MEMBER</u>	<u>BOARD VOTE</u>
Taxpayer's petition denied.	Mr. Horton	Yes
	Ms. Steel	No
	Mr. Runner	Yes
	Ms. Yee	Yes
	Mr. Chiang/ Ms. Mandel	Yes

D. Special Taxes Appeals Hearing

- ~~D1a. Sandy Seybert, 598180 (STF)~~
~~D1b. Sandy Seybert, 598183 (STF)~~

- E. Property Tax Appeals Hearings
There are no items for this matter.

F. Public Hearings

- F1. Property Taxes - State Assessee's Presentations on the Valuation of State-Assessed Properties

F2. Proposed Adoption of Amendments to Sales and Use Tax Regulation 1655,
Returns, Defects and Replacements

<u>DECISION</u>	<u>MEMBER</u>	<u>BOARD VOTE</u>
Approved staff recommendation.	Mr. Horton	Yes
	Ms. Steel	Yes
	Mr. Runner	Yes
	Ms. Yee	Yes
	Mr. Chiang/ Ms. Mandel	Yes

F3. Proposed Adoption of Amendments to Special Taxes and Fees Regulation 4902,
Relief from Liability

<u>DECISION</u>	<u>MEMBER</u>	<u>BOARD VOTE</u>
Approved staff recommendation.	Mr. Horton	Yes
	Ms. Steel	Yes
	Mr. Runner	Yes
	Ms. Yee	Yes
	Mr. Chiang/ Ms. Mandel	Yes

G. Tax Program Nonappearance Matters – Consent

G1. Legal Appeals Matters

<u>DECISION</u>	<u>MEMBER</u>	<u>BOARD VOTE</u>
Approved staff recommendations. No final determination on sub-item 1.	Mr. Horton	Yes
	Ms. Steel	Yes
	Mr. Runner	Yes
	Ms. Yee	Yes
	Mr. Chiang/ Ms. Mandel	Yes

- Hearing Notices Sent – No Response
 1. ~~Ronald Avedisian, 434518 (AC)~~
 2. Henry Vincent Guisande, 572290 (JH)
 3. Beverly Raylene Kemp, 569723 (UT)
 4. Howard E. Kemp, 569721 (UT)
 5. Mohammad Khalid, 559974, 721406 (DF)
 6. Gal Lipkin, 553092 (AS)
 7. Howard E. Murray, 492365 (JH)
 8. Matt Ogden, 518459 (AS)
 9. Rancho Marine Recycling, Inc., 559090 (KH)
 10. Jennifer Lynn Rosa, 586626 (DF)
- Hearing Notices Sent – Appearance Waived
 11. Fiori Florist, Inc., 600096 (BH)
 12. Rizalde V. Sandoval, 575874 (EH)

- Petitions for Release of Seized Property
 13. Buckhorn Trading Post, Inc., 781903 (STF)
 14. Cindy Nguyen, 745239 (STF)
 15. Yousif Mousa Mousa, 745233 (STF)
 16. Prabhjot Singh Randhawa and Palwinder Kaur Randhawa, 745228 (STF)

G2. Franchise and Income Tax Matters

<u>DECISION</u>	<u>MEMBER</u>	<u>BOARD VOTE</u>
Approved staff recommendations.	Mr. Horton	Yes
	Ms. Steel	Yes
	Mr. Runner	Yes
	Ms. Yee	Yes
	Mr. Chiang/ Ms. Mandel	Yes

- Decisions
 1. Carlos R. Abad, 608927
 2. Lisa Boughamer, 611655
 3. Dylan Baker and Melissa Marsch, 626188
 4. Bonita Buecker, 712952
 5. Alvin A. Davies and Denise Davies, 604030
 6. Steve Estifanos, 716904
 7. Darryl Grayson, 694028
 8. Nancy Henry, 627537
 9. Adrian Joven and Estela Garcia, 636074
 10. Charlotte Y. Keys, 729709
 11. Danielle Keys, 711158
 12. Deanna L. Kwan, 601923
 13. Ricardo Lakandula, 711208
 14. David A. Le, 726932
 15. Dee Ann Linker, 692610
 16. Scott Mandel and Melodie L. Bitter Mandel, 716797
 17. Todd K. Mavis, 629326
 18. Philip Moss and Laura Hatch, 699434
 19. Miriam Musgun, 610340
 20. Harold S. Parks, M.D., 670986
 21. Paroda, LLC, 338978
 22. Horacio Rodriguez and Zoraida Rodriguez, 728745
 23. Elaine M. Roe, 623648
 24. Josephine C. Ross, 707196
 25. Jaime Sanchez and Gabriela Sanchez, 605951
 26. Seventy Seven, LLC, 657975
 27. Carlos W. Smith, 664833
 28. Scott Tolone, 726494
 29. Edward Wadatz and Sandra McShea, 509192
 30. Woodward Camp, Inc., 620760
- Petitions for Rehearing
 31. Alex Fonseca, 611640
 32. Carl K. Myers and Patricia Ann Myers, 620364

- G3. Homeowner and Renter Property Tax Assistance Matters
There are no items for this matter.

G4. Sales and Use Taxes Matters

<u>DECISION</u>	<u>MEMBER</u>	<u>BOARD VOTE</u>
Approved staff recommendations.	Mr. Horton	Yes
	Ms. Steel	Yes
	Mr. Runner	Yes
	Ms. Yee	Yes
	Mr. Chiang/ Ms. Mandel	Yes – except not participating in sub-item 1

- Redeterminations
 1. Toyota Motor Sales, U.S.A., Inc., 491361 (AS)
 2. Louis Lilo Beuzieron, 624719 (AC)
 3. Trammo Petroleum, Inc., 624830 (OH)
 4. Intralase Corp., 487567 (EA)
 5. Henri Raymond Traboulsi, 731235 (EA)
- Relief of Penalty/Interest
 6. Gillig, LLC, 790812 (CH)
- Denial of Claim for Refund
 7. The Chivery, LLC, 782665 (OH)
- Grant-One Day Interest Relief
 8. Custom RV Inc., 792323 (EH)
 9. Diesel, A Bookstore, LLC, 792324 (CH)

G5. Sales and Use Taxes Matters – Credits, Cancellations, and Refunds

<u>DECISION</u>	<u>MEMBER</u>	<u>BOARD VOTE</u>
Approved staff recommendations.	Mr. Horton	Yes
	Ms. Steel	Yes
	Mr. Runner	Yes
	Ms. Yee	Yes
	Mr. Chiang/ Ms. Mandel	Yes – except not participating in sub-items 7 and 25

- Credits and Cancellations
 1. Timothy Allen Prero, 529011 (SO)
 2. Icon Income Fund Ten, LLC, 791357 (OH)
 3. Ivy Retail Market, Inc., 791356 (EH)
- Refunds
 4. Graphic Color Systems, Inc., 488305 (AA)
 5. Professional Hospital Supply, Inc., 608996 (EH)
 6. Cubic Defense Applications, Inc., 786183 (FH)
 7. Canon U.S.A., Inc., 756354 (OH)
 8. Northrop Grumman Space & Mission Systems, Corp., 594630 (AS)

9. CEC Entertainment, Inc., 524918 (OH)
10. Becton Dickinson & Company, 578654 (OH)
11. Marlin Leasing Corporation, 788377 (OH)
12. PGA Tour, Inc., 714299 (OH)
13. Long Beach Acceptance Corporation, 489997 (EA)
14. Biomarin Pharmaceutical, Inc., 788870 (JH)
15. Don Jordan Energy Systems, Inc., 608827 (OH)
16. Meadow Brook Meat Company, Inc., 592487 (OH)
17. Alcatel USA Sourcing, Inc., 665526 (OH)
18. J.B. Hunt Transport, Inc., 793947 (OH)
19. Tenet Healthsystem Desert, Inc., 577149 (EH)
20. Murata Electronics NA, Inc., 786840 (EA)
21. Kinecta Federal Credit Union, 740226 (AS)
22. HSNI, LLC, 786839 (OH)
23. Minute Key, Inc., 724809 (GH)
24. The Chivery, LLC, 782665 (OH)
25. Mitsubishi Power Systems Americas, Inc., 743879 (OH)

G6. Special Taxes Matters
There are no items for this matter.

G7. Special Taxes Matters – Credits, Cancellations, and Refunds

<u>DECISION</u>	<u>MEMBER</u>	<u>BOARD VOTE</u>
Approved staff recommendation.	Mr. Horton	Yes
	Ms. Steel	Yes
	Mr. Runner	Yes
	Ms. Yee	Yes
	Mr. Chiang/ Ms. Mandel	Not participating

➤ Refund

1. Equilon Enterprises, LLC, 738586 (STF) 'CF'

There are no items for the following matters:

- G8. Property Tax Matters
- G9. Cigarette License Fee Matters
- G10. Legal Appeals Property Tax Matters

H. Tax Program Nonappearance Matters – Adjudicatory**H1. Legal Appeals Matters**

➤ Petition for Rehearing

1. William G. Morschauser, 225366, 255762, 341121, 530753 (AP)

<u>DECISION</u>	<u>MEMBER</u>	<u>BOARD VOTE</u>
Taxpayer's petition for rehearing denied.	Mr. Horton	Yes
	Ms. Steel	Yes
	Mr. Runner	Yes
	Ms. Yee	Yes
	Mr. Chiang/ Ms. Mandel	Yes

➤ Section 40 (AB 2323) Matter

2. SMF Energy Corporation, 556419, 557544 (OH)

<u>DECISION</u>	<u>MEMBER</u>	<u>BOARD VOTE</u>
Adopted the written summary decision as presented by staff.	Mr. Horton	Yes
	Ms. Steel	Yes
	Mr. Runner	Yes
	Ms. Yee	Yes
	Mr. Chiang/ Ms. Mandel	Yes

H2. Franchise and Income Tax Matters

➤ Decision

1. Diamond B. Capital, Inc., 623488

<u>DECISION</u>	<u>MEMBER</u>	<u>BOARD VOTE</u>
Taxpayer's appeal denied.	Mr. Horton	Yes
	Ms. Steel	Yes
	Mr. Runner	Yes
	Ms. Yee	Yes
	Mr. Chiang/ Ms. Mandel	Yes

➤ Petition for Rehearing

2. Applied Companies, 526527

<u>DECISION</u>	<u>MEMBER</u>	<u>BOARD VOTE</u>
Taxpayer's petition for rehearing denied.	Mr. Horton	Yes
	Ms. Steel	Yes
	Mr. Runner	Yes
	Ms. Yee	Yes
	Mr. Chiang/ Ms. Mandel	Yes

3. Myles D. Hubers and Michelle R. Hubers, 534595

<u>DECISION</u>	<u>MEMBER</u>	<u>BOARD VOTE</u>
Taxpayer's petition for rehearing granted.	Mr. Horton	Yes
	Ms. Steel	Yes
	Mr. Runner	Yes
	Ms. Yee	Yes
	Mr. Chiang/ Ms. Mandel	Yes

➤ Cases Heard Not Decided

4. Victor H. Boyd, 575575

<u>DECISION</u>	<u>MEMBER</u>	<u>BOARD VOTE</u>
Taxpayer's appeal denied.	Mr. Horton	Yes
	Ms. Steel	Yes
	Mr. Runner	Yes
	Ms. Yee	Yes
	Mr. Chiang/ Ms. Mandel	Yes

5. ~~SC Brokers, Inc., 600519~~

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

➤ Credit and Cancellation

1. Sel Retail Operations, 735345 (OH)

<u>DECISION</u>	<u>MEMBER</u>	<u>BOARD VOTE</u>
Approved staff recommendation.	Mr. Horton	Yes
	Ms. Steel	Yes
	Mr. Runner	Yes
	Ms. Yee	Yes
	Mr. Chiang/ Ms. Mandel	Yes

There are no items for the following matters:

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**I1. Property Taxes Matters**

<u>DECISION</u>	<u>MEMBER</u>	<u>BOARD VOTE</u>
Approved staff recommendations.	Mr. Horton	Yes
	Ms. Steel	Yes
	Mr. Runner	Yes
	Ms. Yee	Yes
	Mr. Chiang/ Ms. Mandel	Not participating

- Audits
 1. Frontier Communications of America (7512) 'CF'
 2. Audeamus, LLC (7824) 'CF'
 3. Telstra Incorporated (7852) 'CF'
 4. Reliance Globalcom Services, Inc. (7972) 'CF'
 5. Greenfield Communications, Inc. (8004) 'CF'
 6. NewPath Networks, LLC (8077) 'CF'
 7. Telecommunication Systems, Inc. (8090) 'CF'
- Unitary Land Escaped Assessments
 8. Verizon California (201) 'CF'
 9. AT&T Mobility, LLC (2606) 'CF'
- Board Roll Changes
 10. 2010, 2011, 2012, and 2013 Board Rolls of State-Assessed Property 'CF'

There are no items for the following matters:

- I2. Offer in Compromise Recommendations
- I3. Local Tax Reallocation Matters

Chief Counsel Matters**J. Rulemaking – Section 100 Changes**

- J1. Sales and Use Tax Regulations 1525.2, *Manufacturing Equipment*; and, 1525.3, *Manufacturing Equipment – Leases of Tangible Personal Property*

<u>DECISION</u>	<u>MEMBER</u>	<u>BOARD VOTE</u>
Approved staff recommendation.	Mr. Horton	Yes
	Ms. Steel	Yes
	Mr. Runner	Yes
	Ms. Yee	Yes
	Mr. Chiang/ Ms. Mandel	Yes

Administrative Session**N. Consent Agenda**

<u>DECISION</u>	<u>MEMBER</u>	<u>BOARD VOTE</u>
Approved staff recommendations.	Mr. Horton	Yes
	Ms. Steel	Yes
	Mr. Runner	Yes
	Ms. Yee	Yes
	Mr. Chiang/ Ms. Mandel	Yes

N1. Retirement Resolutions

- Michael L. Hale
- Patricia Gouveia
- Carolee Johnstone
- Elwyn C. Jones
- Roberta Ramirez
- Yvette Wilson

N2. Approval of Board Meeting Minutes

- February 25-27, 2014
- March 25, 2014

N3. Proposed Revisions to the Compliance Policy and Procedures Manual Chapter 6, *Closeouts and Clearances*N4. Proposed Revisions to the Audit Manual, Chapter 4, *General Audit Procedures***O. Adoption of Board Committee Reports and Approval of Committee Actions**

O1. Customer Service and Administrative Efficiency Committee

<u>DECISION</u>	<u>MEMBER</u>	<u>BOARD VOTE</u>
Adopted committee report and approved the actions therein. For details see: www.boe.ca.gov/meetings/custsrv/custsrv14.htm	Mr. Horton	Yes
	Ms. Steel	Yes
	Mr. Runner	Yes
	Ms. Yee	Yes
	Mr. Chiang/ Ms. Mandel	Yes

O2. Business Taxes Committee

<u>DECISION</u>	<u>MEMBER</u>	<u>BOARD VOTE</u>
The Board deferred adoption of the committee report to the May Board meeting and authorized publication of the proposed Regulation 1525.4, <i>Manufacturing and Research & Development Equipment</i> , as amended.	Mr. Horton	Yes
	Ms. Steel	Yes
	Mr. Runner	Yes
	Ms. Yee	Yes
	Mr. Chiang/ Ms. Mandel	Yes

P. Other Administrative Matters**P1. Executive Director's Report**

1. Report on time extensions to Orange, San Luis Obispo, Sierra, and Ventura Counties to complete and submit 2014/15 Local Assessment Roll, pursuant to Revenue and Taxation Code section 155.
2. Staff Protocols Regarding Media Communications
3. 2013 Holiday Food Drive Report
4. BOE Wins Recognition from the California Association of Public Information Officials (CAPIO)
5. CROS Project Update

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**

1. Approval of FY 2014/15 Tobacco Products Tax Rate

<u>DECISION</u>	<u>MEMBER</u>	<u>BOARD VOTE</u>
Approved staff recommendation.	Mr. Horton	Yes
	Ms. Steel	Yes
	Mr. Runner	Yes
	Ms. Yee	Yes
	Mr. Chiang/ Ms. Mandel	Yes

P5. Administration Deputy Director's Report

1. Contracts over \$1 Million

- a. Department of Toxic Substances Control contract for collection of fees pertaining to hazardous waste.

<u>DECISION</u>	<u>MEMBER</u>	<u>BOARD VOTE</u>
Approved staff recommendation.	Mr. Horton	Yes
	Ms. Steel	Yes
	Mr. Runner	Yes
	Ms. Yee	Yes
	Mr. Chiang/ Ms. Mandel	Yes

- b. Department of Motor Vehicles contract for collection of sales, use and/or special taxes pertaining to vehicles and undocumented vessels.

<u>DECISION</u>	<u>MEMBER</u>	<u>BOARD VOTE</u>
Approved staff recommendation.	Mr. Horton	Yes
	Ms. Steel	Yes
	Mr. Runner	Yes
	Ms. Yee	Yes
	Mr. Chiang/ Ms. Mandel	Yes

- c. Inter-Con Security Systems, Inc., contract provides unarmed security guard services for the Board.

<u>DECISION</u>	<u>MEMBER</u>	<u>BOARD VOTE</u>
Approved the contract as presented by staff and directed staff to enter into discussions with SEIU to develop a potential transition plan from private security contracts to civil service positions.	Mr. Horton	Yes
	Ms. Steel	Yes
	Mr. Runner	Yes
	Ms. Yee	Yes
	Mr. Chiang/ Ms. Mandel	Yes

There are no items for the following matters:

P6. Technology Deputy Director's Report

P7. External Affairs Deputy Director's Report

Q. Closed Session