Tuesday, March 29, 2016

The Board met at its offices at 450 N Street, Sacramento, at 9:10 a.m., with Ms. Ma, Chairwoman, Ms. Harkey, Vice Chair, Mr. Runner and Ms. Stowers present, Ms. Stowers present on behalf of Ms. Yee in accordance with Government Code section 7.9.

PLEDGE OF ALLEGIANCE

The Pledge of Allegiance was led by David Gau, Chief Deputy Director.

LEGAL APPEALS MATTERS, CONSENT

The Board deferred consideration of the following matters: Mohammad A. Ghazali and Rozina Ghazali, 468075; and, Mohammad A. Ghazali and Rozina Ghazali, 552485.

With respect to the Legal Appeals Matters Consent Agenda, upon a single motion of Mr. Runner, seconded by Ms. Stowers and unanimously carried, Ms. Ma, Ms. Harkey, Mr. Runner and Ms. Stowers voting yes, Mr. Horton absent, the Board made the following orders:

Rafat Abusalah, 785272 (KH)
07/01/11 to 03/31/13, $95,018.00 Tax
Action: Redetermine as recommended by the Appeals Division.

Achamak Trading, Inc., 566418 (EH)
01/01/05 to 12/31/07, $218,835.46 Tax, $21,883.58 Negligence Penalty
Achamak Trading, Inc., 602887 (EH)
10/01/08 to 06/30/09, $55,861.38 Tax, $5,586.18 Negligence Penalty
Action: Redetermine as recommended by the Appeals Division.

Boulin McNeal Enterprises, Inc., 727091 (AR)
10/01/06 to 04/30/09, $38,273.55 Tax, $4,713.22 Negligence Penalty
Action: Redetermine as recommended by the Appeals Division.

Color DNA, 255261 (AS)
04/01/00 to 12/31/02, $00.00 Tax, $8,747.24 Negligence Penalty
Color DNA, 586503 (AS)
01/01/10 to 12/31/10, $35,955.00 Tax, $3,595.50 Failure-to-File Penalty
Action: Redetermine as recommended by the Appeals Division.

Comataho, LLC, 835846 (KH)
07/01/12 to 09/15/13, $6,070.04 Tax, $294.78 Late-payment Penalties, $125.20 Failure-to-file Penalty, $312.23 Finality Penalties
Action: Redetermine as recommended by the Appeals Division.

Elevated Endeavors, LLC, 773647 (FH)
01/01/09 to 03/31/12, $265,346.35 Tax, $19,774.94 Negligence Penalty, $6,963.13 Failure-to-file Penalty
Action: Redetermine as recommended by the Appeals Division.

Tuesday, March 29, 2016

Mohammad A. Ghazali and Rozina Ghazali, 468075 (KH)
07/01/03 to 12/31/06, $68,412.15 Tax, $00.00 Penalty
Mohammad A. Ghazali and Rozina Ghazali, 552485 (KH)
01/01/07 to 11/24/08, $45,252.81 Claim for Refund
Action: The Board took no action.

Green Valley Bistro Station, LLC, 823440 (GH)
07/01/13 to 12/31/13, $3,094.00 Tax
Action: Redetermine as recommended by the Appeals Division.

Mahmoud Habhab, 732517 (FH)
06/17/05 to 03/31/08, $144,510.06 Tax, $00.00 Penalty
Action: Redetermine as recommended by the Appeals Division.

Thelma J. Harris and Terry D. Harris, 734703 (CH)
01/01/09 to 12/31/11, $42,160.06 Tax, $4,216.05 Negligence Penalty
Action: Redetermine as recommended by the Appeals Division.

Donald Edward Holly, Jacqueline Allene Holly, and Douglas Edward Holly, 770612 (EH)
02/16/11 to 12/31/12, $104,701.65 Tax
Action: Redetermine as recommended by the Appeals Division.

Jawed R. Hussain, 741108 (GH)
01/01/09 to 12/31/11, $50,302.40 Tax, $6,755.10 Negligence Penalty
Action: Redetermine as recommended by the Appeals Division.

Il Massimo, LLC, 489269 (BH)
01/01/05 to 12/31/07, $34,862.48 Tax, $3,486.31 Negligence Penalty
Action: Redetermine as recommended by the Appeals Division.

Natural Nine, Inc., 647406 (AA)
10/01/07 to 09/30/10, $313,528.84 Tax, $31,698.10 Negligence Penalty
Action: Redetermine as recommended by the Appeals Division.

Vincent Nicoletta, 729913 (AS)
01/01/10 to 12/31/10, $00.00 Tax, $3,186.97 Negligence Penalty
Action: Redetermine as recommended by the Appeals Division.

Maria Guadalupe Ramos, 611491 (AP)
04/01/07 to 03/31/10, $29,290.52 Tax, $2,929.09 Negligence Penalty
Action: Redetermine as recommended by the Appeals Division.

Son Xuan Hoang and Hanh T. Nguyen, 353517, 358630 (STF)
01/01/00 to 12/31/03, $2,133.66 Tax, $534.00 Failure-to-Secure License Penalty
01/01/04 to 03/31/05, $6,785.06 Tax, $00.00 Penalty
Action: Redetermine as recommended by the Appeals Division.

Tuesday, March 29, 2016

Capitol City Tile & Marble, Inc., 700760, 710433 (KH)
10/01/07 to 09/30/10, $92,804.21 Tax, $00.00 Penalty
Action: Redetermine as recommended by the Appeals Division.

TL Supply, Inc., 930822 (STF)
October 6, 2015 Seizure Date, $147,424.10 Approximate Value
Action: Determined that staff properly seized the tobacco products.

CORPORATE FRANCHISE AND PERSONAL INCOME TAX MATTERS, CONSENT

With respect to the Corporate Franchise and Personal Income Tax Matters Consent Agenda, upon a single motion of Ms. Stowers, seconded by Mr. Runner and unanimously carried, Ms. Ma, Ms. Harkey, Mr. Runner and Ms. Stowers voting yes, Mr. Horton absent, the Board made the following orders:

Jack G. Hiehle, 860958
2009, $333.00 Tax
Action: Sustain the action of the Franchise Tax Board.

Glen A. Konkle and Patricia E. Konkle, 869993
2012, $25,420.00 Claim for Refund
Action: Sustain the action of the Franchise Tax Board.

Harold Baker and Jennetta Baker, 824055
2012, $827.12 Claim for Refund
Action: Sustain the action of the Franchise Tax Board.

Kenneth M. Cheatham and Deborah L. Petersen, 799200
2008, $9,331.00 Tax
Action: Sustain the action of the Franchise Tax Board.

Maurice C. Cion, 852247
2010, $1,336.49 Tax, $334.12 Late Filing Penalty
Action: Reverse the action of the Franchise Tax Board.

Corning Enterprises, A California Limited Partnership, 846978
2012, $509.87 Claim for Refund
Action: Sustain the action of the Franchise Tax Board.

Damian Gross, 859824
2008, $508.00 Claim for Refund
Action: Sustain the action of the Franchise Tax Board.

Barbara Haydel, 574573
2006, $3,159.00 Tax
Action: Modify the action of the Franchise Tax Board.

Tuesday, March 29, 2016

Daniel Krause and Crystal Krause, 859812
2013, $1,016.45 Claim for Refund
Action: Sustain the action of the Franchise Tax Board.

Kombiz Salehi and Nadya S. Metz, 727196
2006, $1,070.07 Tax
Action: Reverse the action of the Franchise Tax Board in accordance with its position on appeal.

C&L Pacific Real Estate, Inc., 815463
2011, $432.00 Claim for Refund
Action: Deny the petition for rehearing.

Lily Hovanesyan, 838088
2012, $1,633.00 Tax
Action: Deny the petition for rehearing.

Naoki Oshima, 742173
2007, $41,916.00 Claim for Refund
Action: Deny the petition for rehearing.

PROPERTY TAXES MATTER, CONSENT

With respect to the Property Taxes Matters, Consent Agenda, upon a single motion of Ms. Harkey, seconded by Mr. Runner and unanimously carried, Ms. Ma, Ms. Harkey and Mr. Runner voting yes, Ms. Stowers not participating in accordance with Government Code section 7.9, Mr. Horton absent, the Board made the following order:

Petition for Reassessment of Unitary Value on Escape Audit Assessment

Calpop.com, Inc. (8132), 878234
2012-2014, $1,270,000.00 Escape Assessment, $133,000.00 Penalty, $279,600.00 In-Lieu Interest
Action: Reduce the 2012-2014 escape audit assessment to $220,000.00, plus penalties and in lieu interest, as recommended by staff. Ms. Stowers not participating in accordance with Government Code section 7.9.

CORPORATE FRANCHISE AND PERSONAL INCOME TAX MATTERS, ADJUDICATORY

Michael McGuire, 709207
2007, $563.00 Tax, $140.75 Late Filing Penalty
Considered by the Board: Hearing Notice Sent – Appearance Waived
Contribution Disclosures pursuant to Government Code section 15626: None were disclosed.
Action: Upon motion of Ms. Harkey, seconded by Ms. Stowers and unanimously carried, Ms. Ma, Ms. Harkey, Mr. Runner and Ms. Stowers voting yes, Mr. Horton absent, the Board adopted a decision sustaining the action of the Franchise Tax Board.

Tuesday, March 29, 2016

Jose Borges and Laura Borges, 604857
2007, $495.25 Late Filing Penalty, $11,535.25 Demand Penalty, $100.00 Filing Enforcement Cost Recovery Fee, $170.00 Collection Cost Recovery Fee, $12.00 Lien Fee
Considered by the Board: December 16, 2015
Contribution Disclosures pursuant to Government Code section 15626: None were disclosed.
Action: Ms. Harkey moved to reduce the demand penalty, and otherwise sustain the action of the Franchise Tax Board. Ms. Stowers made a substitute motion to cancel the demand penalty as reasonable cause was established, and otherwise sustain the action of the Franchise Tax Board. The substitute motion was seconded by Ms. Harkey and unanimously carried, Ms. Ma, Ms. Harkey, Mr. Runner, Mr. Horton and Ms. Stowers voting yes.

Michael J. Bills and Mary E. Bills, 610028, 782397
2005, $553,799.00 Assessment
2006, $784,599.00 Assessment
2007, $931,712.00 Assessment
2008, $981,802.00 Assessment
2009, $525,369.00 Assessment
Considered by the Board: May 28, 2015
Contribution Disclosures pursuant to Government Code section 15626: None were disclosed.
Action: Upon motion of Ms. Harkey, seconded by Ms. Stowers and unanimously carried, Ms. Ma, Ms. Harkey, Mr. Runner, Mr. Horton and Ms. Stowers voting yes, the Board adopted a decision denying the petition for rehearing.

Robert E. Valdez and Judy M. Valdez, 819052
2007, $1,362.00 Claim for Refund
2008, $1,858.00 Claim for Refund
Considered by the Board: July 28, 2015
Contribution Disclosures pursuant to Government Code section 15626: None were disclosed.
Action: Ms. Harkey moved to deny the petition for rehearing. The motion was seconded by Mr. Runner but failed to carry, Ms. Harkey and Mr. Runner voting yes, Ms. Ma, Mr. Horton and Ms. Stowers voting no.

Ms. Stowers moved to adopt a decision granting the petition for rehearing. The motion was seconded by Mr. Horton. Ms. Harkey made a substitute motion to grant the petition for rehearing and to not adopt the proposed written decision. The substitute motion was seconded by Ms. Ma and unanimously carried, Ms. Ma, Ms. Harkey, Mr. Runner, Mr. Horton and Ms. Stowers voting yes.

craigslist, Inc., 725838, 843070
2007, $789,799.00 Claim for Refund, $247,427.00 Assessment, $43,005.00 Accuracy-Related Penalty
Considered by the Board: December 16, 2015 Summary Decision (Rev. & Tax. Code, § 40).
Contribution Disclosures pursuant to Government Code section 15626: None were disclosed.
Action: Upon motion of Mr. Runner, seconded by Ms. Stowers and unanimously carried, Ms. Ma, Mr. Runner, Mr. Horton and Ms. Stowers voting yes, Ms. Harkey abstaining, the Board adopted the written summary decision as presented by staff.

Tuesday, March 29, 2016

Hexu Zhao, 849110
2008, $676,073.00 Assessment
Considered by the Board: December 16, 2015 Summary Decision (Rev. & Tax. Code, § 40).
Contribution Disclosures pursuant to Government Code section 15626: None were disclosed.
Action: Upon motion of Ms. Harkey, seconded by Mr. Horton and unanimously carried, Ms. Ma, Ms. Harkey, Mr. Runner, Mr. Horton and Ms. Stowers voting yes, the Board adopted the written summary decision as presented by staff.

TAX PROGRAM NONAPPEARANCE MATTERS NOT SUBJECT TO CONTRIBUTION DISCLOSURE STATUTE

PROPERTY TAX MATTERS

Audits

Los Angeles SMSA Ltd., Partnership (2532)
2012 to 2015, $134,400,000.00 Escaped Assessment, $31,635,000.00 In-lieu Interest
Action: Upon motion of Mr. Horton, seconded by Mr. Runner and unanimously carried, Ms. Ma, Ms. Harkey, Mr. Runner and Mr. Horton voting yes, Ms. Stowers not participating in accordance with Government Code section 7.9, the Board adopted the audit adjustments as recommended by staff.

Fresno MSA Limited Partnership (2552)
2012 to 2015, $24,600,000.00 Escaped Assessment, $5,031,000.00 In-lieu Interest
Action: Upon motion of Mr. Horton, seconded by Mr. Runner and unanimously carried, Ms. Ma, Ms. Harkey, Mr. Runner and Mr. Horton voting yes, Ms. Stowers not participating in accordance with Government Code section 7.9, the Board adopted the audit adjustments as recommended by staff.

Cellco Partnership (2559)
2012 to 2015, $172,200,000.00 Escaped Assessment, $28,467,000.00 In-lieu Interest
Action: Upon motion of Mr. Horton, seconded by Mr. Runner and unanimously carried, Ms. Ma, Ms. Harkey, Mr. Runner and Mr. Horton voting yes, Ms. Stowers not participating in accordance with Government Code section 7.9, the Board adopted the audit adjustments as recommended by staff.

California RSA #4 Partnership (2669)
2012 to 2015, $2,400,000.00 Escaped Assessment, $486,000.00 In-lieu Interest
Action: Upon motion of Mr. Horton, seconded by Mr. Runner and unanimously carried, Ms. Ma, Ms. Harkey, Mr. Runner and Mr. Horton voting yes, Ms. Stowers not participating in accordance with Government Code section 7.9, the Board adopted the audit adjustments as recommended by staff.

Tuesday, March 29, 2016

XO Communications Services, LLC (7560)
2015, $6,300,000.00 Escaped Assessment, $378,000.00 In-lieu Interest
Action: Upon motion of Mr. Horton, seconded by Mr. Runner and unanimously carried, Ms. Ma, Ms. Harkey, Mr. Runner and Mr. Horton voting yes, Ms. Stowers not participating in accordance with Government Code section 7.9, the Board adopted the audit adjustments as recommended by staff.

Cox California Telcom, LLC (7640)
2012 to 2015, $21,900,000.00 Escaped Assessment, $2,190,000.00 Penalties, $3,672,000.00 In-lieu Interest
Action: Upon motion of Mr. Horton, seconded by Mr. Runner and unanimously carried, Ms. Ma, Ms. Harkey, Mr. Runner and Mr. Horton voting yes, Ms. Stowers not participating in accordance with Government Code section 7.9, the Board adopted the audit adjustments as recommended by staff.

CallTower, Inc., (7960)
2012 to 2015, $99,000.00 Escaped Assessment, $21,200.00 Penalties, $12,720.00 In-lieu Interest
Action: Upon motion of Mr. Horton, seconded by Mr. Runner and unanimously carried, Ms. Ma, Ms. Harkey, Mr. Runner and Mr. Horton voting yes, Ms. Stowers not participating in accordance with Government Code section 7.9, the Board adopted the audit adjustments as recommended by staff.

Crown Castle NG West, LLC (7982)
2013 to 2014, $77,950,000.00 Escaped Assessment, $6,672,685.00 Penalties, $13,757,528.00 In-lieu Interest
Action: Upon motion of Mr. Horton, seconded by Mr. Runner and unanimously carried, Ms. Ma, Ms. Harkey, Mr. Runner and Mr. Horton voting yes, Ms. Stowers not participating in accordance with Government Code section 7.9, the Board adopted the audit adjustments as recommended by staff.

inContact, Inc. (7985)
2013 to 2015, $323,000.00 Excessive Assessment, $65,100.00 Penalties, $110,250.00 In-lieu Interest
Action: Upon motion of Mr. Horton, seconded by Mr. Runner and unanimously carried, Ms. Ma, Ms. Harkey, Mr. Runner and Mr. Horton voting yes, Ms. Stowers not participating in accordance with Government Code section 7.9, the Board adopted the audit adjustments as recommended by staff.

Greenfield Communications, Inc. (8004)
2014 to 2015, $288,000.00 Excessive Assessment
Action: Upon motion of Mr. Horton, seconded by Mr. Runner and unanimously carried, Ms. Ma, Ms. Harkey, Mr. Runner and Mr. Horton voting yes, Ms. Stowers not participating in accordance with Government Code section 7.9, the Board adopted the audit adjustments as recommended by staff.

Tuesday, March 29, 2016

TNCI Operating Company, LLC (8075)
2014 to 2015, $3,350,000.00 Escaped Assessment, $335,000.00 Penalties, $327,900.00 In-lieu Interest
Action: Upon motion of Mr. Horton, seconded by Mr. Runner and unanimously carried, Ms. Ma, Ms. Harkey, Mr. Runner and Mr. Horton voting yes, Ms. Stowers not participating in accordance with Government Code section 7.9, the Board adopted the audit adjustments as recommended by staff.

OFFER-IN-COMPROMISE RECOMMENDATIONS

Action: Upon motion of Mr. Horton, seconded by Ms. Stowers and unanimously carried, Ms. Ma, Ms. Harkey, Mr. Runner, Mr. Horton and Ms. Stowers voting yes, the Board approved the Offer in Compromise Recommendations of *David Herbert Lacy and My Florist – Ventura, LLC; Ricardo Quintero and Norma A. Luna Galeana; Guadalupe Rios; Sara Aluti Peterson and Body Gems, Inc.;* and, *Carla Stephens;* as recommended by staff.

CORPORATE FRANCHISE AND PERSONAL INCOME TAXES HEARING

Kamil Issa, 869808
2006, $98,001.00 Assessment
2007, $154,589.00 Assessment, $38,647.25 Late Filing Penalty

For Appellant:	Kamil Issa, Taxpayer
	Mark A. Muntean, Attorney
For Franchise Tax Board:	Judy Hirano, Tax Counsel
	Ciro Immordino, Tax Counsel

Contribution Disclosures pursuant to Government Code section 15626: None were disclosed.
Issues: Whether appellant has shown that the Franchise Tax Board erred by not allowing damages awarded in a settlement agreement to be excluded from his taxable income.

Whether appellant has shown that he is entitled to deduct attorney fees and costs related to his settlement.

Whether appellant has shown error in the imposition of the late filing penalty for 2007.

Action: Ms. Harkey moved to have 33.33 percent treated as non-taxable gross income and otherwise sustain the action of the Franchise Tax Board. The motion was seconded by Ms. Stowers. Mr. Runner made a substitute motion to have 50 percent treated as non-taxable gross income and otherwise sustain the action of the Franchise Tax Board. The substitute motion failed for lack of second.

Upon motion of Ms. Harkey, seconded by Ms. Stowers and unanimously carried, Ms. Ma, Ms. Harkey, Mr. Runner, Mr. Horton and Ms. Stowers voting yes, the Board ordered that 33.33 percent be treated as non-taxable gross income and otherwise sustain the action of the Franchise Tax Board as to the settlement payments.

Upon motion of Ms. Harkey, seconded by Ms. Ma and duly carried, Ms. Ma, Ms. Harkey and Mr. Runner voting yes, Mr. Horton and Ms. Stowers voting no, the Board ordered that the late filing penalty be abated.

Appellant withdrew his claim for attorney fees and costs.

Tuesday, March 29, 2016

The Board recessed at 10:31 a.m. and reconvened at 10:38 a.m. with Ms. Ma, Ms. Harkey, Mr. Runner, Mr. Horton and Ms. Stowers present.

SALES AND USE TAX APPEALS HEARING

Local Tax Reallocation Hearing

Cities of Ontario, Palm Springs, San Diego, Santa Barbara, and Counties of Sacramento, San Mateo, 525325, 525326
03/01/04 to 12/31/07, $12,276,670.00 Tax

For Petitioners:	Eric Myers, Representative
	Matt Vespi, Representative
	Paul Prather, Representative
	Brian Wong, Attorney
Notified Jurisdiction City of Oakland:	Christopher Kee, Attorney
For Business Tax and Fee Department:	Scott Claremon, Tax Counsel

Contribution Disclosures pursuant to Government Code section 15626: None were disclosed.
Issue: Whether taxpayer correctly allocated the local tax as sales tax to the office located in Oakland.
Action: Upon motion of Mr. Runner, seconded by Mr. Horton and unanimously carried, Ms. Ma, Ms. Harkey, Mr. Runner, Mr. Horton and Ms. Stowers voting yes, the Board ordered that the petition be denied as recommended by staff.

The Board recessed at 11:42 a.m. and reconvened at 1:31 p.m. with Ms. Ma, Ms. Harkey, Mr. Runner, Mr. Horton and Ms. Stowers present.

SPECIAL TAXES APPEALS HEARING

CK Specialty Insurance Associates, Inc., 605192 (STF)
01/01/07 to 12/31/10, $58,035.94 Tax

For Petitioner:	Justin B. Connors, Taxpayer
	William Gausewitz, Attorney
	John A. Sebastinelli, Attorney
For Department of Insurance:	Laszlo Komjathy, Attorney
For Business Tax and Fee Department:	Andrew Kwee, Tax Counsel

Contribution Disclosures pursuant to Government Code section 15626: None were disclosed.
Issue: Whether the inspection fees and policy fees were part of petitioner's taxable gross premiums.
Action: Upon motion of Mr. Runner, seconded by Ms. Harkey and duly carried, Ms. Ma, Ms. Harkey and Mr. Runner voting yes, Mr. Horton voting no, Ms. Stowers not participating in accordance with Government Code section 7.9, the Board ordered that the petition be granted.

Tuesday, March 29, 2016

PUBLIC HEARINGS

Proposed Amendments to Sales and Use Tax Regulation 1698, *Records,* and Special Taxes Regulation 4901, *Records*

Pamela Mash, Tax Counsel, Tax and Fee Programs Division, Legal Department, made introductory remarks regarding proposed amendments to define the term electronic cash register, update the terminology used to refer to electronic records, and clarify taxpayers' record retention requirements (Exhibit 3.1).

Speakers were invited to address the Board, but there were none.

Action: Upon motion of Mr. Runner, seconded by Ms. Harkey and unanimously carried, Ms. Ma, Ms. Harkey, Mr. Runner, Mr. Horton and Ms. Stowers voting yes, the Board adopted the amendments to Regulations 1698 and 4901 as published.

Exhibits to these minutes are incorporated by reference.

The Board recessed at 2:40 p.m.

The foregoing minutes are adopted by the Board on April 26, 2016.

Note: The following matters were removed from the calendar prior to the meeting: *Charles B. Hunt and Christy C. Hunt, 71668,* and, *Tobacco Republic Incorporated, 72780.*

Wednesday, March 30, 2016

The Board met at its offices at 450 N Street, Sacramento, at 1:21 p.m. with Ms. Ma, Chairwoman, Ms. Harkey, Vice Chair, Mr. Runner and Mr. Horton present, Ms. Stowers present on behalf of Ms. Yee in accordance with Government Code section 7.9.

CHIEF COUNSEL MATTERS

RULEMAKING

Sales and Use Tax Regulation 1506, *Miscellaneous Service Enterprises*

Bradley Heller, Tax Counsel, Tax and Fee Programs Division, Legal Department, made introductory remarks regarding staff's request for authorization to complete section 100 changes to update the name of the entity within the Department of Consumer Affairs responsible for licensing persons who dispense hearing aids (Exhibit 3.2).

Action: Upon motion of Mr. Runner, seconded by Mr. Horton and unanimously carried, Ms. Ma, Ms. Harkey, Mr. Runner, Mr. Horton and Ms. Stowers voting yes, the Board approved the request for authorization to complete section 100 changes as recommended by staff.

Exhibits to these minutes are incorporated by reference.

OTHER CHIEF COUNSEL MATTERS

Lucent Technologies, Inc. v. State Board of Equalization and Sales and Use Tax Regulations 1502, *Computers, Programs, and Data Processing,* and 1507, *Technology Transfer Agreements*

Robert Tucker, Assistant Chief Counsel, Tax and Fee Programs Division, Legal Department, and Randy Ferris, Chief Counsel, made introductory remarks regarding potential rulemaking and other possible administrative actions necessary to appropriately implement *Lucent Technologies, Inc. v. State Bd. of Equalization* (2015) 241 Cal.App.4th 19 (Exhibit 3.3).

Speakers: Therese Twomey, California Taxpayers' Association.

Action: Upon motion of Ms. Harkey, seconded by Mr. Horton and unanimously carried, Ms. Ma, Ms. Harkey, Mr. Runner, Mr. Horton and Ms. Stowers voting yes, the Board referred the implementation of Lucent to the Business Tax Committee; authorized staff to issue a special notice that would specify what Lucent is dispositive with respect to; and referred the non-dispositive fact patterns of Lucent to the Business Tax Committee interested parties process, as recommended by staff.

Wednesday, March 30, 2016

ADMINISTRATIVE SESSION

ADMINISTRATIVE MATTERS, CONSENT

With respect to the Administrative Matters, Consent Agenda, upon a single motion of Mr. Runner, seconded by Mr. Horton and unanimously carried, Ms. Ma, Ms. Harkey, Mr. Runner, Mr. Horton and Ms. Stowers voting yes, the Board made the following orders:

Action: Adopt the following resolutions, extending its sincere and grateful appreciation to the retirees for their dedicated service to the State Board of Equalization and to the State of California, their congratulations on each retiree's well-earned retirement, and best wishes to them and their families for continued success, happiness and good health in the years to come (Exhibit 3.4).

Cheryl A. Blakeway, Staff Services Manager I, Administrative Support Division, Acquisitions Procurement Section, Headquarters
Karen Fabiano, Senior Information Systems Analyst, Centralized Revenue Opportunity System Project, Headquarters
Susan W. Lee, Staff Information Systems Analyst, LAN Coordinator, West Covina District Office
Deanna Payne, Staff Information Systems Analyst, Technology Services Department, Headquarters

Action: Approve the Board Meeting Minutes of February 23-24, 2016.

Action: Approve proposed revisions to Compliance Policy and Procedures Manual Chapter 2, *Registration*; Chapter 7, *Collections*; and, Chapter 8, *Consumer Use Tax*, as recommended by staff (Exhibit 3.5).

Action: Approve proposed revisions to Audit Manual Chapter 1, *General Information*; Chapter 4, *General Audit Procedures*; and, Chapter 6, *Vehicle, Vessel and Aircraft Dealers*, as recommended by staff (Exhibit 3.6).

OTHER ADMINISTRATIVE MATTERS

Executive Director's Report

Cynthia Bridges, Executive Director, provided an update on actions to resolve the findings in the SCO Review Report of the Board of Equalization's Internal Accounting and Administrative Controls (Exhibit 3.7).

David Gau, Chief Deputy Director, provided a report regarding time extensions to Calaveras and San Luis Obispo Counties to complete and submit the 2016-17 Local Assessment Roll, pursuant to Revenue and Taxation Code section 155 (Exhibit 3.8).

David Gau, Chief Deputy Director, provided a report regarding information about management developments of general interest.

David Gau, Chief Deputy Director, provided a report regarding the 2015-16 State Employee Food Drive results (Exhibit 3.9).

Wednesday, March 30, 2016

David Gau, Chief Deputy Director, provided the BOE Employee Recognition Award nominees for approval.

Action: Upon motion of Ms. Harkey, seconded by Ms. Stowers and unanimously carried, Ms. Ma, Ms. Harkey, Mr. Runner, Mr. Horton and Ms. Stowers voting yes, the Board approved the BOE Employee Recognition Award nominees.

Administration Deputy Director's Report

Edna Murphy, Deputy Director, Administration Department, presented the following contracts over $1 million: Department of Motor Vehicles contract for collection of sales, use and/or special taxes pertaining to vehicles and undocumented vessels (Exhibit 3.10); Department of Toxic Substances Control contract for collection of fees pertaining to hazardous waste (Exhibit 3.11); and, Cal-Recycle contract for the collection of the California Tire Fee (Exhibit 3.12).

Action: Upon motion of Ms. Harkey, seconded by Ms. Stowers and unanimously carried, Ms. Ma, Ms. Harkey, Mr. Runner, Mr. Horton and Ms. Stowers voting yes, the Board approved the contracts over $1 million as recommended by staff.

Technology Deputy Director's Report

Brenda Fleming, Chief Information Officer, Technology Services Department, provided a report regarding the progress on the CROS project to replace BOE's two current legacy technology tax administration systems.

The Board recessed at 2:37 p.m. and reconvened at 2:42 p.m. with Ms. Ma, Ms. Harkey, Mr. Runner, Mr. Horton and Ms. Stowers present.

ANNOUNCEMENT OF CLOSED SESSION

The Board recessed at 2:43 p.m. and reconvened immediately in closed session with Ms. Ma, Ms. Harkey, Mr. Runner, Mr. Horton and Ms. Stowers present.

CLOSED SESSION

The Board met to discuss pending litigation (Gov. Code § 11126(e)), settlements (Rev. & Tax. Code §§ 6901, 7093.5, 30459.1 and 50156.11) and personnel matters (Gov. Code § 11126(a)).

The Board recessed at 4:07 p.m. and reconvened immediately in open session with Ms. Ma, Ms. Harkey, Mr. Runner, Mr. Horton and Ms. Stowers present.

Ms. Ma announced the following appointments: Chris Caietti, Chief Technology Officer, Centralized Revenue Opportunity System; Susanne Buehler, Deputy Director, Business Tax and Fee Department; Cynthia Bridges, Special Consultant; and, David Gau, Executive Director. Ms. Ma congratulated them all on their appointments and welcomed Chris Caietti and Susanne Buehler to the executive team.

Wednesday, March 30, 2016

ADMINISTRATIVE SESSION

ADOPTION OF BOARD COMMITTEE REPORTS AND APPROVAL OF COMMITTEE ACTIONS

Legislative Committee

Action: Upon motion of Mr. Horton, seconded by Ms. Ma and unanimously carried, Ms. Ma, Ms. Harkey, Mr. Runner, Mr. Horton and Ms. Stowers voting yes, the Board approved the Legislative Committee report and the actions therein as reflected by the committee members' votes (Exhibit 3.13).

Customer Services and Administrative Efficiency Committee

Action: Upon motion of Mr. Horton, seconded by Ms. Ma and unanimously carried, Ms. Ma, Ms. Harkey, Mr. Runner, Mr. Horton and Ms. Stowers voting yes, the Board approved the Customer Services and Administrative Efficiency Committee report and the actions therein as reflected by the committee members' votes (Exhibit 3.14).

Business Taxes Committee

Action: The Board deferred the matter to the April meeting.

Property Tax Committee

Action: Upon motion of Mr. Horton, seconded by Ms. Ma and unanimously carried, Ms. Ma, Ms. Harkey, Mr. Runner, Mr. Horton and Ms. Stowers voting yes, the Board approved the Property Tax Committee report and the actions therein as reflected by the committee members' votes (Exhibit 3.15).

Mr. Horton congratulated the following staff members, who are leaving BOE, on their appointments: Shellie Hughes, Deputy Executive Director for the state of Nevada; Jaclyn Zumaeta, Tax Counsel III, Franchise Tax Board; and, Camille Dixon, Program Manager, Department of Insurance.

The Board adjourned at 4:12 p.m. in memory of Percy Henry Pinkney, President and founding member of the Black American Political Association of California (BAPAC), and retired Senior Advisor to Senator Dianne Feinstein.

The foregoing minutes are adopted by the Board on April 26, 2016.