



STATE BOARD OF EQUALIZATION
450 N STREET, SACRAMENTO, CALIFORNIA
PO BOX 942879, SACRAMENTO, CALIFORNIA 94279-0080
(916) 322-2270 • FAX (916) 324-3984
www.boe.ca.gov

SEN. GEORGE RUNNER (Ret.)
First District, Lancaster

FIONA MA, CPA
Second District, San Francisco

JEROME E. HORTON
Third District, Los Angeles County

DIANE L. HARKEY
Fourth District, Orange County

BETTY T. YEE
State Controller

CYNTHIA BRIDGES
Executive Director

STATE BOARD OF EQUALIZATION MEETING
450 N Street, Room 121, Sacramento
March 29-30, 2016
NOTICE AND AGENDA
Meeting Agenda (as of 3/30/2016, 11:30 PM)

[Agenda Changes](#)

[Webcast on Tuesday, March 29, 2016](#)

Tuesday, March 29, 2016

9:00 a.m. Pledge of Allegiance

Board Meeting Convenes*

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. Items may be postponed to a subsequent day; however, items will not be moved to an earlier day or to an earlier session on the same day.

Board Committee Meetings**

These items are scheduled for Wednesday, March 30, 2016.

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

B1. [Kamil Issa, 869808 +](#)

For Appellant: Mark A. Muntean, Attorney

For Franchise Tax Board: Judy Hirano, Tax Counsel
Ciro Immordino, Tax Counsel

C. Sales and Use Tax Appeals Hearings

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

~~C1. Charles B. Hunt and Christy C. Hunt, 716686 (KH) +
 For Petitioners: Charles B. Hunt, Taxpayer
 Christy C. Hunt, Taxpayer
 For Department: Nonita DeLaCruz, Hearing Representative~~

Local Tax Reallocation Hearing(Contribution Disclosure forms not required pursuant to Gov. Code, § 15626.***)

C2. [Cities of Ontario, Palm Springs, San Diego, Santa Barbara, and Counties of Sacramento, San Mateo, 525325, 525326 +](#)

For Petitioners: Eric Myers, Representative
 Janis Varney, Representative
 Mary Lewis, Representative
 Matt Vespi, Representative
 Paul Prather, Representative
 Karen Zazzi, Representative
 Christopher Michael, Representative
 David Silberman, Attorney
 Brian Wong, Attorney

For Notified Jurisdiction: Christopher Kee, Attorney
 City of Oakland

For Department: Scott Claremon, Tax Counsel

1:30 p.m. Board Meeting Reconvenes***D. Special Taxes Appeals Hearings**

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

D1. [CK Specialty Insurance Associates, Inc., 605192 \(STF\) 'CF' +](#)

For Petitioner: Justin B. Connors, Taxpayer
 William Gausewitz, Attorney
 John A. Sebastinelli, Attorney

For Department of Insurance: Laszlo Komjathy, Attorney

For Department: Andrew Kwee, Tax Counsel

~~D2. Tobacco Republic Incorporated, 727806 (STF) +~~

~~For Taxpayer: Oneida Morgan Hawley, Taxpayer
 Victoria Reyes, Witness~~

~~For Department: Pamela Mash, Tax Counsel~~

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

F. Public Hearing

- F1. Proposed Amendments to Sales and Use Tax Regulation 1698, Records, and Special Taxes Regulation 4901, Records +Ms. Mash

Public hearing 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.

G. Tax Program Nonappearance Matters – Consent

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

- G1. Legal Appeals Matters Mr. Angeja
- Hearing Notice Sent – No Response
 1. Rafat Abusalah, 785272 (KH)
 - 2a. Achamak Trading, Inc., 566418 (EH)
 - 2b. Achamak Trading, Inc., 602887 (EH)
 3. Boulin McNeal Enterprises, Inc., 727091 (AR)
 - 4a. Color DNA, 255261 (AS)
 - 4b. Color DNA, 586503 (AS)
 5. Comataho, LLC, 835846 (KH)
 6. Elevated Endeavors, LLC, 773647 (FH)
 - ~~7a. Mohammad A. Ghazali and Rozina Ghazali, 468075 (KH)~~
 - ~~7b. Mohammad A. Ghazali and Rozina Ghazali, 552485 (KH)~~
 8. Green Valley Bistro Station, LLC, 823440 (GH)
 9. Mahmoud Habhab, 732517 (FH)
 10. Thelma J. Harris and Terry D. Harris, 734703 (CH)
 11. Donald Edward Holly, Jacqueline Allene Holly, and Douglas Edward Holly, 770612 (EH)
 12. Jawed R. Hussain, 741108 (GH)
 13. Il Massimo, LLC, 489269 (BH)
 14. Natural Nine, Inc., 647406 (AA)
 15. Vincent Nicoletta, 729913 (AS)
 16. Maria Guadalupe Ramos, 611491 (AP)
 17. Son Xuan Hoang and Hanh T. Nguyen, 353517, 358630 (STF)
 - Hearing Notice Sent – Appearance Waived
 18. Capitol City Tile & Marble, Inc., 700760, 710433 (KH)
 - Petition for Release of Seized Property
 19. TL Supply, Inc., 930822 (STF)

- G2. Franchise and Income Tax Matters Mr. Epolite
- Hearing Notice Sent – No Response
 1. Jack G. Hiehle, 860958
 2. Glen A. Konkle and Patricia E. Konkle, 869993
 - Decisions
 3. Harold Baker and Jennetta Baker, 824055
 4. Kenneth M. Cheatham and Deborah L. Petersen, 799200
 5. Maurice C. Cion, 852247
 6. Corning Enterprises, A California Limited Partnership, 846978
 7. Damian Gross, 859824
 8. Barbara Haydel, 574573
 9. Daniel Krause and Crystal Krause, 859812
 10. Kombiz Salehi and Nadya S. Metz, 727196
 - Petitions for Rehearing
 11. C&L Pacific Real Estate, Inc., 815463
 12. Lily Hovanesyan, 838088
 13. Naoki Oshima, 742173

There are no items for the following matters:

- G3. Homeowner and Renter Property Tax Assistance Matters
- G4. Sales and Use Taxes Matters
- G5. Sales and Use Taxes Matters – Credits, Cancellations, and Refunds
- G6. Special Taxes Matters
- G7. Special Taxes Matters – Credits, Cancellations, and Refunds
- G8. Property Tax Matters Mr. Kinnee
- Petition-Reassessment of Unitary Escape
 1. Calpop.com, Inc. (8132), 878234 'CF'

There are no items for the following 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
There are no items for this matter.
- H2. Franchise and Income Tax Matters Mr. Epolite
- Hearing Notice Sent – Appearance Waived
 1. Michael McGuire, 709207
 - Decisions
 2. Jose Borges and Laura Borges, 604857
 - Petitions for Rehearing
 3. Michael J. Bills and Mary E. Bills, 610028, 782397
 4. Robert E. Valdez and Judy M. Valdez, 819052

- Section 40 (AB 2323) Matters
 5. [craigslist, Inc., 725838, 843070 +](#)
 6. [Hexu Zhao, 849110 +](#)

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. Kinnee
 - Audit
 1. Los Angeles SMSA Ltd., Partnership (2532) 'CF'
 2. Fresno MSA Limited Partnership (2552) 'CF'
 3. Cellco Partnership (2559) 'CF'
 4. California RSA #4 Partnership (2669) 'CF'
 5. XO Communications Services, LLC (7560) 'CF'
 6. Cox California Telcom, LLC (7640) 'CF'
 7. CallTower, Inc. (7960) 'CF'
 8. Crown Castle NG West, LLC (7982) 'CF'
 9. inContact, Inc. (7985) 'CF'
 10. Greenfield Communications, Inc. (8004) 'CF'
 11. TNCI Operating Company, LLC (8075) 'CF'
- I2. Offer in Compromise Recommendations..... Mr. Anderson
 1. Miranda Nicole Bender
 2. Breann Nicole Bertino
 - 3a. Courier and Chives, Inc.
 - 3b. Brian Lally
 4. Edmundo Gonzales
 5. Manpreet Kaur
 6. Mohammed Sohail Khan
 - 7a. David Herbert Lacy
 - 7b. My Florist – Ventura, LLC
 8. Juan C. Lopez Mercado
 - 9a. Moustache Corp.
 - 9b. Antoine E. Alliaume
 10. Albert Noghli
 - 11a. Sara Aluti Peterson
 - 11b. Body Gems, Inc.

- 12a. Ricardo Quintero
- 12b. Norma A. Luna Galeana
- 13. Guadalupe Rios
- 14. Carla Stephens

- I3. Local Tax Reallocation Matters
There are no items for this matter.

Chief Counsel Matters

- J. Rulemaking
This item is scheduled for Wednesday, March 30, 2016.

There are no items for the following matters:

- K. Business Taxes
- L. Property Taxes
- M. Other Chief Counsel Matters
This item is scheduled for Wednesday, March 30, 2016.

Administrative Session

The following items are scheduled for Wednesday, March 30, 2016.


- N. Consent Agenda
- O. Adoption of Board Committee Reports and Approval of Committee Actions
- P. Other Administrative Matters

- Q. **Closed Session**
This item is scheduled for Wednesday, March 30, 2016.

Recess - The meeting will reconvene on Wednesday, March 30, 2016, at 9:00 a.m.

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Joann Richmond, Chief
Board Proceedings Division

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- ** 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.
- *** Municipalities are exempt from Contribution Disclosure requirements, for further information please telephone Toya P. Davis, Contribution Disclosure Analyst at (916) 327-1798 or email: Toya.Davis@boe.ca.gov.
- + 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.



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Wednesday, March 30, 2016

9:00 a.m. Board Committee Meetings Convene**

Board Meeting reconvenes upon Adjournment of the Board Committee Meetings*

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Board Committee Meetings**

[Legislative Committee](#)..... Ms. Ma, Committee Chairwoman

I. 2016 LEGISLATIVE BILLS

Recommendation for Board Position:

- SB 680 Sales Tax: Exemption: Out of State Purchasers: Passenger Vehicles (Wieckowski)
- SB 1458 Property Tax: Exemption: Disabled Veterans (Bates)
- AB 1642 Fire Prevention Fee: Due Date (Oberholte)
- AB 1858 Unlicensed Automobile Dismantling Task Force (Santiago)
- AB 2518 Sales Tax: Exemption: Low-income Housing Charities (Gomez)
- AB 2570 Property Tax: Public Utilities Commission: Report to BOE (Quirk)

II. 2016 LEGISLATIVE BILLS

Discussion Only:

- SB 987 Marijuana Value Tax (McGuire)
- AB 2243 Medical Cannabis Tax (Wood)

Customer Service and Administrative

Efficiency Committee.....Mr. Runner, Committee Chairman

1. Customer Service Center 2015 Report

A presentation of the Customer Service Center accomplishments in calendar year 2015.

Business Taxes Committee.....Ms. Harkey, Committee Chairwoman

1. Proposed amendments to Sales and Use Tax Regulation 1703, *Interest and Penalties*, and Audit Manual Chapter 5, *Penalties*

Request approval and authorization to publish proposed amendments to provide guidance with respect to the imposition of a penalty for negligence or intentional disregard on a taxpayer's first audit liability.

2. Proposed amendments to Sales and Use Tax Regulation 1702.5, *Responsible Person Liability*

Request approval and authorization to publish proposed amendments to clarify definitions, explain the applicable standard of proof, and add a rebuttable presumption of when there is no personal liability for certain types of persons.

3. Proposed Cigarette and Tobacco Products Tax Regulation 4001, *Retail Stock*

Request approval and authorization to publish proposed regulation to provide a definition for "retail stock".

Property Tax CommitteeMr. Horton, Committee Chairman

1. Adoption of the *State Assessment Manual*

Adoption of the *State Assessment Manual* to provide the principles and procedures used by the Board in the assessment of state-assessed property.

2. Property Tax Rule 462.040, *Change in Ownership—Joint Tenancies*

Discussion and authorization to initiate the rulemaking process for Property Tax Rule 462.040, *Change in Ownership—Joint Tenancies*.

3. Welfare Exemption for Low-Income Housing Properties

Opportunity to streamline the welfare exemption clearance certificate process.

Board Meeting*

Chief Counsel Matters

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

J. Rulemaking

- J1. *Sales and Use Tax Regulation 1506, Miscellaneous Service Enterprises +*.....Mr. Heller

Staff 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.

M. Other Chief Counsel Matters

- M1. *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 +* Mr. Ferris / Mr. Tucker

Discussion 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.

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 +*
 - Cheryl A. Blakeway
 - Karen Fabiano
 - Susan W. Lee
 - Deanna Payne

- N2. Approval of Board Meeting Minutes
 - *February 23-24, 2016 +*

N3. Proposed revisions to Compliance Policy and Procedures Manual Chapter 2, *Registration*; Chapter 7, *Collections*; and Chapter 8, *Consumer Use Tax* +

N4. Proposed revisions to Audit Manual Chapter 1, *General Information*; Chapter 4, *General Audit Procedures*; and Chapter 6, *Vehicle, Vessel and Aircraft Dealers* +

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
- O4. Property Tax Committee

P. Other Administrative Matters

P1. Executive Director's Report Ms. Bridges

- 1. Update on Resolution of State Controller's Office (SCO) Board of Equalization Review +

Update on actions to resolve the findings in the SCO Review Report of the Board of Equalization's Internal Accounting and Administrative Controls.

- 2. Report on time extensions to Calaveras and Mr. Gau San Luis Obispo Counties to complete and submit 2016-17 Local Assessment Roll, pursuant to Revenue and Taxation Code section 155. +

- 3. Update on Operational Issues..... Mr. Gau
A report providing information about management developments of general interest will be provided.

- 4. 2015-16 State Employee Food Drive Results + Mr. Gau
The Chair of the 2015-16 State Employee Food Drive will present the successful results of this year's annual Food Drive.

- 5. Employee Recognition Award Program Mr. Gau
Approval of nominees for the BOE Employee Recognition Award Program.

There are no items for the following matters:

- P2. Chief Counsel Report
- P3. Business Tax and Fee Deputy Director's Report
- P4. Field Operations Department Report
- P5. Property Tax Deputy Director's Report

- P6. Administration Deputy Director's Report.....Ms. Murphy
 - 1. Contracts Over \$1 Million
 - a. Department of Motor Vehicles contract for collection of sales, use and/or special taxes pertaining to vehicles and undocumented vessels. +
 - b. Department of Toxic Substances Control contract for collection of fees pertaining to hazardous waste. +
 - c. Cal-Recycle contract is to provide for the collection of the California Tire Fee. +

- P7. Technology Deputy Director's Report.....Ms. Fleming
 - 1. CROS Project Update and Actions
 - Progress on the CROS project to replace BOE's two current legacy tax administration systems.

- P8. External Affairs Deputy Director's Report
 - There are no items for this matter.

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: *Raichart v. State Bd. of Equalization*, Sacramento County Superior Court Case No. 34-2014-00167903 (Gov. Code, § 11126(e)).
- Q3. Pending Litigation: *Arriola v. State Bd. of Equalization*, Sacramento County Superior Court Case No. 34-2016-0188847 (Gov. Code, § 11126(e)).
- Q4. Discussion and action on personnel matters (Gov. Code, § 11126(a)).

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

Adjourn

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