



STATE BOARD OF EQUALIZATION
450 N STREET, SACRAMENTO, CALIFORNIA
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(916) 322-2270 • FAX (916) 324-3984
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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

PRELIMINARY RECORD OF BOARD ACTIONS

Tuesday, March 29, 2016

The following is a preliminary record of Board actions taken at the March 29-30, 2016, 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 Lopez at 916-322-1931 or e-mail: Claudia.Lopez@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

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
B1. Kamil Issa, 869808

Table with 3 columns: DECISION, MEMBER, BOARD VOTE. It contains two rows of voting data for Board actions regarding taxpayer appeals.

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**C. Sales and Use Tax Appeals Hearings**

C1.— Charles B. Hunt and Christy C. Hunt, 716686 (KH)

**Local Tax Reallocation Hearing**

C2. Cities of Ontario, Palm Springs, San Diego, Santa Barbara, and Counties of Sacramento, San Mateo, 525325, 525326

<u>DECISION</u>	<u>MEMBER</u>	<u>BOARD VOTE</u>
Jurisdictions' petitions denied.	Ms. Ma	Yes
	Ms. Harkey	Yes
	Mr. Horton	Yes
	Mr. Runner	Yes
	Ms. Yee/ Ms. Stowers	Yes

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

D1. CK Specialty Insurance Associates, Inc., 605192 (STF) 'CF'

<u>DECISION</u>	<u>MEMBER</u>	<u>BOARD VOTE</u>
Taxpayer's petition granted.	Ms. Ma	Yes
	Ms. Harkey	Yes
	Mr. Horton	No
	Mr. Runner	Yes
	Ms. Yee/ Ms. Stowers	Not participating

D2.— Tobacco Republic Incorporated, 727806 (STF)

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*

<u>DECISION</u>	<u>MEMBER</u>	<u>BOARD VOTE</u>
Approved staff recommendation.	Ms. Ma	Yes
	Ms. Harkey	Yes
	Mr. Horton	Yes
	Mr. Runner	Yes
	Ms. Yee/ Ms. Stowers	Yes

**G. Tax Program Nonappearance Matters – Consent****G1. Legal Appeals Matters**

<u>DECISION</u>	<u>MEMBER</u>	<u>BOARD VOTE</u>
Approved staff recommendations.	Ms. Ma	Yes
No final determination on sub-items 7a-b.	Ms. Harkey	Yes
	Mr. Horton	Absent
	Mr. Runner	Yes
	Ms. Yee/ Ms. Stowers	Yes

- 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**

<u>DECISION</u>	<u>MEMBER</u>	<u>BOARD VOTE</u>
Approved staff recommendations.	Ms. Ma	Yes
	Ms. Harkey	Yes
	Mr. Horton	Absent
	Mr. Runner	Yes
	Ms. Yee/ Ms. Stowers	Yes

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- 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

<u>DECISION</u>	<u>MEMBER</u>	<u>BOARD VOTE</u>
Approved staff recommendation.	Ms. Ma	Yes
	Ms. Harkey	Yes
	Mr. Horton	Absent
	Mr. Runner	Yes
	Ms. Yee/ Ms. Stowers	Not participating

- 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**

- H1. Legal Appeals Matters  
There are no items for this matter.

H2. Franchise and Income Tax Matters

➤ Hearing Notice Sent – Appearance Waived

1. Michael McGuire, 709207

<u>DECISION</u>	<u>MEMBER</u>	<u>BOARD VOTE</u>
Taxpayer's appeal denied.	Ms. Ma	Yes
	Ms. Harkey	Yes
	Mr. Horton	Absent
	Mr. Runner	Yes
	Ms. Yee/ Ms. Stowers	Yes

➤ Decisions

2. Jose Borges and Laura Borges, 604857

<u>DECISION</u>	<u>MEMBER</u>	<u>BOARD VOTE</u>
Taxpayers' appeal partially granted/denied.	Ms. Ma	Yes
	Ms. Harkey	Yes
The Board cancelled the notice and demand penalty.	Mr. Horton	Yes
	Mr. Runner	Yes
	Ms. Yee/ Ms. Stowers	Yes

➤ Petitions for Rehearing

3. Michael J. Bills and Mary E. Bills, 610028, 782397

<u>DECISION</u>	<u>MEMBER</u>	<u>BOARD VOTE</u>
Franchise Tax Board's petition for rehearing denied.	Ms. Ma	Yes
	Ms. Harkey	Yes
	Mr. Horton	Yes
	Mr. Runner	Yes
	Ms. Yee/ Ms. Stowers	Yes

4. Robert E. Valdez and Judy M. Valdez, 819052

<u>DECISION</u>	<u>MEMBER</u>	<u>BOARD VOTE</u>
Franchise Tax Board's petition for rehearing granted. Proposed written decision not adopted.	Ms. Ma	Yes
	Ms. Harkey	Yes
	Mr. Horton	Yes
	Mr. Runner	Yes
	Ms. Yee/ Ms. Stowers	Yes

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➤ Section 40 (AB 2323) Matters

5. craigslist, Inc., 725838, 843070

<u>DECISION</u>	<u>MEMBER</u>	<u>BOARD VOTE</u>
The Board adopted the written summary decision as presented by staff.	Ms. Ma	Yes
	Ms. Harkey	Abstain
	Mr. Horton	Yes
	Mr. Runner	Yes
	Ms. Yee/ Ms. Stowers	Yes

6. Hexu Zhao, 849110

<u>DECISION</u>	<u>MEMBER</u>	<u>BOARD VOTE</u>
The Board adopted the written summary decision as presented by staff.	Ms. Ma	Yes
	Ms. Harkey	Yes
	Mr. Horton	Yes
	Mr. Runner	Yes
	Ms. Yee/ Ms. Stowers	Yes

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**

I1. Property Taxes Matters

<u>DECISION</u>	<u>MEMBER</u>	<u>BOARD VOTE</u>
Approved staff recommendation.	Ms. Ma	Yes
	Ms. Harkey	Yes
	Mr. Horton	Yes
	Mr. Runner	Yes
	Ms. Yee/ Ms. Stowers	Not participating

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➤ 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'

12. Offer in Compromise Recommendations

<u>DECISION</u>	<u>MEMBER</u>	<u>BOARD VOTE</u>
Approved staff recommendations.	Ms. Ma	Yes
	Ms. Harkey	Yes
	Mr. Horton	Yes
	Mr. Runner	Yes
	Ms. Yee/ Ms. Stowers	Yes

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

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

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**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.

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**450 N Street, Room 121, Sacramento**  
**March 29-30, 2016**

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**Wednesday, March 30, 2016**

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**Board Meeting**

**Chief Counsel Matters**

**J. Rulemaking**

J1. Sales and Use Tax Regulation 1506, *Miscellaneous Service Enterprises*

<u>DECISION</u>	<u>MEMBER</u>	<u>BOARD VOTE</u>
Approved staff recommendation.	Ms. Ma	Yes
	Ms. Harkey	Yes
	Mr. Horton	Yes
	Mr. Runner	Yes
	Ms. Yee/ Ms. Stowers	Yes

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**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*

<u>DECISION</u>	<u>MEMBER</u>	<u>BOARD VOTE</u>
Approved staff recommendation.	Ms. Ma	Yes
	Ms. Harkey	Yes
	Mr. Horton	Yes
	Mr. Runner	Yes
	Ms. Yee/ Ms. Stowers	Yes

**Administrative Session****N. Consent Agenda**

<u>DECISION</u>	<u>MEMBER</u>	<u>BOARD VOTE</u>
Approved staff recommendations.	Ms. Ma	Yes
	Ms. Harkey	Yes
	Mr. Horton	Yes
	Mr. Runner	Yes
	Ms. Yee/ Ms. Stowers	Yes

- 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*

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**O. Adoption of Board Committee Reports and Approval of Committee Actions****O1. Legislative Committee**

<u>DECISION</u>	<u>MEMBER</u>	<u>BOARD VOTE</u>
Adopted committee report and approved the actions therein as reflected by the committee members' votes.	Ms. Ma	Yes
	Ms. Harkey	Yes
	Mr. Horton	Yes
	Mr. Runner	Yes
For details see: <a href="http://www.boe.ca.gov/legdiv/legmeeting_s16.htm">www.boe.ca.gov/legdiv/legmeeting_s16.htm</a>	Ms. Yee/ Ms. Stowers	Yes

**O2. Customer Service and Administrative Efficiency Committee**

<u>DECISION</u>	<u>MEMBER</u>	<u>BOARD VOTE</u>
Adopted committee report and approved the actions therein as reflected by the committee members' votes.	Ms. Ma	Yes
	Ms. Harkey	Yes
	Mr. Horton	Yes
	Mr. Runner	Yes
For details see: <a href="http://www.boe.ca.gov/meetings/custsrv/custsrv16.htm">www.boe.ca.gov/meetings/custsrv/custsrv16.htm</a>	Ms. Yee/ Ms. Stowers	Yes

**O3. Business Taxes Committee**

<u>DECISION</u>	<u>MEMBER</u>	<u>BOARD VOTE</u>
The Board deferred the matter to a later date.	Ms. Ma	Yes
	Ms. Harkey	Yes
	Mr. Horton	Yes
	Mr. Runner	Yes
	Ms. Yee/ Ms. Stowers	Yes

**O4. Property Tax Committee**

<u>DECISION</u>	<u>MEMBER</u>	<u>BOARD VOTE</u>
Adopted committee report and approved the actions therein as reflected by the committee members' votes.	Ms. Ma	Yes
	Ms. Harkey	Yes
	Mr. Horton	Yes
	Mr. Runner	Yes
For details see: <a href="http://www.boe.ca.gov/proptaxes/ptcwplan16.htm">www.boe.ca.gov/proptaxes/ptcwplan16.htm</a>	Ms. Yee/ Ms. Stowers	Yes

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**P. Other Administrative Matters**

**P1. Executive Director’s Report**

1. Update on Resolution of State Controller’s Office (SCO) Board of Equalization Review
2. Report on time extensions to Calaveras and 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
4. 2015-16 State Employee Food Drive Results
5. Employee Recognition Award Program

<u>DECISION</u>	<u>MEMBER</u>	<u>BOARD VOTE</u>
Approved staff recommendation.	Ms. Ma	Yes
	Ms. Harkey	Yes
	Mr. Horton	Yes
	Mr. Runner	Yes
	Ms. Yee/ Ms. Stowers	Yes

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

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.

<u>DECISION</u>	<u>MEMBER</u>	<u>BOARD VOTE</u>
Approved staff recommendation.	Ms. Ma	Yes
	Ms. Harkey	Yes
	Mr. Horton	Yes
	Mr. Runner	Yes
	Ms. Yee/ Ms. Stowers	Yes

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- b. 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.	Ms. Ma	Yes
	Ms. Harkey	Yes
	Mr. Horton	Yes
	Mr. Runner	Yes
	Ms. Yee/ Ms. Stowers	Yes

- c. Cal-Recycle contract is to provide for the collection of the California Tire Fee.

<u>DECISION</u>	<u>MEMBER</u>	<u>BOARD VOTE</u>
Approved staff recommendation.	Ms. Ma	Yes
	Ms. Harkey	Yes
	Mr. Horton	Yes
	Mr. Runner	Yes
	Ms. Yee/ Ms. Stowers	Yes

- P7. Technology Deputy Director's Report  
 1. CROS Project Update and Actions
- P8. External Affairs Deputy Director's Report  
 There are no items for this matter.

**Q. Closed Session**

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