

P. Other Administrative Matters

- P1. Executive Director's Report Ms. Bridges
 - 1. CROS Project Update and ActionsMr. 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 +
 - 2. Update on Embedded Software Project
Staff will provide an update on efforts to define the project goals and to identify the working group members.
- P5. Administration Deputy Director's Report + Ms. Houser
 - 1. Headquarters Facilities Update – A general update may be provided.
 - 2. 2013/14 Budget Update – Information on the Governor's 2013/14 Budget may be provided.

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. Discussion and action on personnel matters (Gov. Code, § 11126(a)).

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

Adjourn

**2013 MINUTES OF THE STATE BOARD OF EQUALIZATION Tuesday,
January 15, 2013**

Property and Special Taxes Deputy Director's Report

David Gau, Deputy Director, Property and Special Taxes Department, provided an update on efforts to define the Embedded Software Project goals and to identify the working group members. Mr. Gau referenced a written public comment provided by Larry Stone, Santa Clara County Assessor (Exhibit 1.5).

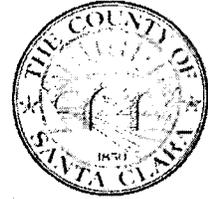
Speaker: Gina Rodriquez, Vice President of State Tax Policy, California Taxpayers Association

Ms. Yee directed staff, with respect to the development of current practices regarding the valuation of embedded software, to look at what the counties are doing on the local level, including the processes and considerations used to determine the decisions that were made; and, what can be borrowed from the State-Assessed Properties Division's process and conclusions

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Lawrence E. Stone, Assessor

STATE BOARD OF EQUALIZATION



January 14, 2013

Appeal Name: Lawrence E. Stone

Case ID: _____ ITEM # P4.2

Date: January 15, 2013 Exhibit No: 1.5

TP FTB DEPT **PUBLIC COMMENT**

Hon. George Runner, Senator
Chair, State Board of Equalization Property Tax Committee
500 Capitol Mall, Ste. 1750
Sacramento, CA 95814

(via email to george.runner@boe.ca.gov)

Hon. Jerome Horton
Chair, State Board of Equalization
450 N Street, MIC 72
Sacramento, CA 95814

(via email to jerome.horton@boe.ca.gov)

Re: Board of Equalization Meeting January 15, 2013
Item P4.2, Update on Embedded Software Project

Dear Senator Runner and Chairman Horton:

In response to a proposal by the California Assessors' Association (CAA), the Board of Equalization (BOE) has asked the CAA to appoint two assessors to serve on a working group on embedded software. After extensive review, including consultation with an experienced Silicon Valley software engineer specializing in embedded systems, the CAA Ad-Hoc Committee on Embedded Software has concluded that the creation of a BOE working group would neither be productive nor a prudent use of public resources.

The creation of the BOE working group was proposed by the CAA after an extensive effort with industry and assessors to identify potential, non-legislative solutions to address the growing number of disputes involving the assessment of embedded software. When the CAA determined that it was impossible to obtain verifiable data from high-technology industry sources essential for creating a reliable study, CAA President Tom Bordonaro, in a letter to you dated September 20, 2012, suggested it might be a useful approach to create "guidelines" for evaluating what "standard of evidence would be required prior to a review for potential embedded software." Moreover, the CAA made it clear that since the problem was a technical valuation problem and not a policy or political problem, the CAA indicated that the composition of the working group should be limited solely to technical experts experienced in software development or the valuation of very complex high-tech equipment. As such, the CAA recommended the BOE

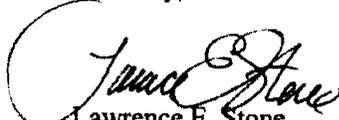
Senator Runner and Chairman Horton
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refrain from appointing elected assessors, industry attorneys, lobbyists, or finance managers from either side of the dispute. Limiting membership to only individuals with technical expertise and experience would lead to a more objective and reliable outcome.

The CAA Ad-Hoc Committee was recently informed that the BOE planned to proceed with appointing assessors and others from industry—the very individuals who have worked over several years to find a solution, without success. Moreover, we have learned that the proposed mission of the working group be dramatically expanded to “consider defining embedded software and include common examples, review methodologies used for state-assessed properties, and consider using them for county-assessed properties.” This latest plan is significantly different from the originally stated purpose of creating “guidelines” necessary for the valuation of embedded software.

The CAA Ad-Hoc Committee has concluded that even the narrow mission initially proposed by the CAA, and populated with legitimate technical experts, would not be successful. Consequently, the CAA Ad-Hoc Committee will be recommending to the CAA Executive Committee at our meeting next week to respectfully decline to participate in the working group as proposed by the BOE Property Tax Committee.

Sincerely,


Lawrence E. Stone
Assessor

CC: Members of the State Board of Equalization
Jim Rooney, President, California Assessors' Association
Members of the CAA Ad-Hoc Committee on Embedded Software
Dean Kinnee, Property Tax Division, Board of Equalization
David Gau, Deputy Director, Board of Equalization

LES:dhf