Rule 1031. Records.

Authority: Section 15606, Government Code.
Reference: Sections 434.1, 38701, and 38204, Revenue and Taxation Code.

(a) GENERAL. Every timber owner, timberland owner, timber operator, and person harvesting timber for forest products purposes, shall keep adequate and complete records showing:

(1) Contractual or financial agreements relative to the ownership and harvest of timber for forest products.

2) Harvest locations for logged timber.

(3) The basis for adjustments to harvest values.

These records shall include the books of account ordinarily maintained by the average prudent businessman engaged in the activity, together with all bills, receipts, invoices, scaling records, tapes, or other documents of original entry supporting the entries in the books of account as well as all schedules or working papers used in connection with the preparation of tax returns.

(b) MICROFILM RECORDS. Microfilm reproductions of general books of account, such as cash books, journals, voucher registers, ledgers, etc., are acceptable in lieu of original records, and microfilm reproductions of supporting data such as sales invoices, purchase invoices, credit memoranda, scale tickets, trip tickets, etc., are acceptable providing the following conditions are met:

(1) Appropriate facilities are provided for the preservation of the films for periods required under subparagraph (d).

(2) Microfilm rolls are indexed, cross-referenced, labeled to show beginning and ending numbers or beginning and ending alphabetical listing of documents included, and are systematically filed.

(3) The taxpayer agrees to provide transcriptions of any information contained on microfilm which may be required for purposes of verification of tax liability.

(4) Proper facilities are provided for the ready inspection and location of the particular records, including modern projectors for viewing and copying the records.

A posting reference must be on each invoice. Credit memoranda must carry a reference to the document evidencing the original transaction. Documents necessary to support a claimed adjustment for immediate harvest value, such as scaling tickets and trip records, must be maintained in an order by which they can be readily related to the harvesting for which the value adjustment is sought.

(c) RECORDS PREPARED BY AUTOMATED DATA PROCESSING SYSTEMS. An ADP tax accounting system shall include a method of producing visible and legible records that will provide the necessary information for verification of the taxpayer's tax liability.

(1) Recorded or Reconstructible Data. ADP shall make possible the tracing of any transaction back to the original source or forward to a final total. If detail printouts are not made of transactions at the time they are processed, then the system must have the ability to reconstruct these transactions.

(2) General and Subsidiary Books of Account. A general ledger, with source references, shall be maintained to coincide with financial reports for tax reporting periods. Subsidiary ledgers used to support the general ledger
accounts shall also be in printout form, or the system be capable of producing a printout for any appropriate calendar or fiscal period.

(3) Supporting Documents and Audit Trail. Records shall be kept in such a manner as to provide an audit trail that allows for ready identification of details underlying the summary accounting data. The system should be so designed that supporting documents, such as sales invoices, purchase invoices, scaling tickets, credit memoranda, etc., are readily available.

(4) Program Documentation. A description of the ADP portion of the accounting system shall be available. The statements and illustrations of the scope of operations should be sufficiently detailed to indicate, (a) the application being performed, (b) the procedures employed in each application (supported by flow charts, block diagrams or other satisfactory description of the input or output procedures), and (c) the controls used to insure accurate and reliable processing. Important changes, together with their effective dates, should be noted in order to preserve an accurate chronological record.

(d) RECORDS RETENTION. All records pertaining to transactions subject to the timber yield tax must be preserved for a period of not less than four years unless the State Board of Equalization authorizes in writing their destruction within a lesser period.

(e) EXAMINATION OF RECORDS. All of the above-described records shall be made available for examination on request by the Board or its authorized representatives.

(f) FAILURE TO MAINTAIN RECORDS. Failure to maintain and keep complete accurate records shall be considered evidence of negligence or intent to evade the tax and may result in penalties or other appropriate administrative action.