STATE BOARD OF EQUALIZATION MEETING
450 N Street, Room 121, Sacramento
NOTICE AND AGENDA
Meeting Agenda (as of 8/13/2013, 11:30 AM)

Agenda Changes
Webcast on Tuesday, August 13, 2013
Tuesday, August 13, 2013

10:00 a.m. Board Committee Meetings Convene*

Board Meeting convenes upon Adjournment of the Board Committee Meetings**

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.

Board Committee Meetings*

Legislative Committee..........................................................Mr. Horton, Committee Chairman

2013 Legislative Bills—Recommendation for Board Position:

- SB 582—One Stop Taxpayer Portal (Knight)
- AB 833—One Stop Taxpayer Portal (Harkey)

Customer Service and Administrative Efficiency Committee..............................................Ms. Steel, Committee Chairwoman

1. Helping Consumers and Businesses Identify Sales Tax Rates
   Planned Improvements to Help Consumers and Businesses Determine the Correct District Tax Rate.

Business Taxes Committee...................................................Ms. Yee, Committee Chairwoman

1. Proposed Revisions to Regulation 1705, Relief from Liability
   Request approval and authorization to publish proposed amendments to extend Section 6596 relief to a person if their liability was due to reliance on erroneous advice provided in the prior audit of another person.

2. Proposed Revisions to Regulation 1502, Computers, Programs, and Data Processing
   Request approval and authorization to publish proposed amendments to clarify the application of tax to optional software maintenance agreements, and report on discussions with interested parties regarding site licenses.
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 Hearings
(Contribution Disclosure forms required pursuant to Gov. Code, § 15626.)

B1. Tonja M. Jarrell, 571357 +
For Appellant: Sonia Zaheer, Representative
For Franchise Tax Board: Marguerite Mosnier, Tax Counsel
Diane Ewing, Tax Counsel

B2. Prudent Staffing Services, 602283 +
For Appellant: Eno (Nancy) Oduok, Representative
For Franchise Tax Board: Eric Yadao, Tax Counsel
Karen Smith, Tax Counsel

B3. Michael O. Gualco and Rex-Ann S. Gualco, 640336 +
For Appellants: Michael O. Gualco, Taxpayer
Rex-Ann Gualco, Taxpayer
For Franchise Tax Board: Eric Yadao, Tax Counsel
Karen Smith, Tax Counsel

B4. Ivon Pitti, 688101 +
For Appellant: Ivon Pitti, Taxpayer
For Franchise Tax Board: Marguerite Mosnier, Tax Counsel
Diane Ewing, Tax Counsel

C. Sales and Use Tax Appeals Hearings
(Contribution Disclosure forms required pursuant to Gov. Code, § 15626.)

C1a. Amador Patino and Gerardo Javier Guzman, 532069, 549106 (CH) +
For Petitioners/Taxpayers: Amador Patino, Taxpayer
Michan Evonc, Representative
For Department: Scott Lambert, Hearing Representative

C1b. La Primavera Products Svcs., Inc., 550549 (CH) +
For Petitioners/Taxpayers: Amador Patino, Taxpayer
For Department: Scott Lambert, Hearing Representative

C2. JI Medical, Inc., 562873 (AS) +
For Petitioner: Waived Appearance
For Department: Monica Silva, Tax Counsel

C3. Penryn Lumber Company, 554162 (KH) +
For Petitioner: Dale Martell, Taxpayer
James H. Koether, Representative
Matthew F. Heinrich, Representative
For Department: Cary Huxsoll, Tax Counsel
D. **Special Taxes Appeals Hearing**

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

D1a. Orange Tree Fresh Fruit & Nuts, 527196 (STF) +
D1b. Orange Tree Fresh Fruit & Nuts, 527198 (STF) +
D1c. Orange Tree Fresh Fruit & Nuts, 527202 (STF) +

For Petitioners: Waived Appearance
For Department: Carolee Johnstone, Tax Counsel

E. **Property Tax Appeals Hearings**

There are no items for this matter.

F. **Public Hearing**

F1. Proposed Adoption of Sales and Use Tax Regulation 1566.1, *Auto Auctions and Auto Dismantlers* + .......................................................Mr. Heller

Public hearing regarding the adoption of a new regulation to implement, interpret, and make specific the presumption established by Revenue and Taxation Code section 6092.5.

G. **Tax Program Nonappearance Matters – Consent**

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

G1. Legal Appeals Matters ..............................................................Mr. Angeja

➢ Hearing Notices Sent – No Response
   1. Interior Design Specialists, Inc., 553909 (EH)
   2. Ker, Inc., 467118 (FH)
   3. Amritpal Kaur Lehra, 532084, 533074 (DF)
   4. Robert W. McDonald and Margaret McDonald, 349576 (UT)
   5. Streamline Foam, Inc., 511658 (UT)
   6. Silverline Trailer Sales, LLC, 558999 (KH)

➢ Petitions for Rehearing
   7. East Coast Foods, Inc., 444779 (AS)
   8. Jose E. Sanchez, 489568, 505671 (EA)
   9. Union Outlet, Inc., 547468 (AS)

G2. Franchise and Income Tax Matters .............................................Mr. Thompson

➢ Hearing Notices Sent – No Response
   1a. Benjamin F. Killen, 606504
   1b. James V. Robertson, 608631
   1c. Champion Wiseman, 608439
   2. Ty D. Kirkpatrick and Pauline P. Kirkpatrick, 626170
   3. Thomas J. Meriwether and Caryn B. Meriwether, 636512

➢ Decisions
   4. Thomas Bledsoe and Lori Bledsoe, 601105
   5. Celestine Coleman, 601333
   6. Bruce A. Conklin, 601395
   7. Charles Cullen and Philomena Cullen, 593634
   8. Elias Gallegos III, 575218, 575222
9. Joseph R. Gerardo, 576173
10. Michael Minor, 595878
11. Nareshbhai Patel and Vasantinben Patel, 599548
12. Juan Ramirez, 575000
13. Pamela A. Ricci, 588394
14. Virgilo Romero and Hortencia Romero, 611878
15. Bradley Silcox, 608450
16. Sunshine Auto Parks and Building Services, 597349
17. Israel Ury and Betty Ury, 586421

- Petitions for Rehearing
18. Antonio Gallo, 595225
19. Steven Olmos, 600499
20. Richard B. Pallack, 527752

G3. Homeowner and Renter Property Tax Assistance Matters
There are no items for this matter.

G4. Sales and Use Taxes Matters

- Redeterminations
  1. Chula Vista Electric Co., 529708 (FH)
  2. Banctec Third Party Maint, Inc., 595632 (OH)
  3. Ricoh USA, Inc., 343235 (OH)
  4. The Wella Corporation, 554875 (AC)
  5. Siemens Transportation, 625728 (OH)
  6. Portola Valley Shell, 523629 (BH)

- Relief of Penalty/Interest
  7. Gamestop, Inc., 732966 (OH)
  8. Lutron Electronics Co., Inc., 733591 (OH)

- Denials of Claims for Refund
  9. Rohr, Inc., 569314 (OH)
  10. Novell, Inc., 474064 (OH)

- Grant-One Day Interest Relief
  11. Port Plastics, Inc., 733901 (EH)
  12. McKenna Motors Huntington Beach, Inc., 733913 (EA)
  14. Foothill Mill & Lumber Co., Inc., 733915 (KH)
  15. Northwestern Industries, Inc., 733907 (OH)
  17. Tacaza, Inc., 733920 (DF)
  18. Trattoria Amici/Americana, LLC, 733910 (AP)

G5. Sales and Use Taxes Matters – Credits, Cancellations, and Refunds

- Credits and Cancellations
  1. The Leather Factory, Inc., 733582 (AA)
  2. R. Ring Enterprises, Inc., 734200 (CH)
  3. Robert A. Brutyn, 728743 (JH)
  4. Intuitive Surgical, Inc., 735427 (GH)
  5. Edward James Graves, 731902 (EH)

- Refunds
  6. County of San Bernardino Attn. Aud., 730369 (EH)
8. Gelco Corporation, 727959 (OH)
9. Valero Refining Co.-CA, 714317 (OH)
10. Edwards Theatres, Inc., 729195 (OH)
11. Trader Joe’s Company, 609726 (AP)
12. Conceptus, Inc., 732881 (GH)
13. Conceptus, Inc., 577459 (GH)
14. Regal Cinemas, Inc., 728348 (OH)
16. Balboa Thrift & Loan Association, 705981 (FH)
17. Villa Amorosa, 575260 (JH)
19. Cook Medical Incorporated, 576304 (OH)
20. Citigroup, Inc., & Subsidiaries & Affiliates, 603362 (OH)
21. Payless Shoesource Distribution, 578281 (OH)
22. Wistron Infocomm Technology America Corporation, 675514 (OH)

G6. Special Taxes Matters

Redeterminations
1. Mercury Insurance Company, 343345 (STF) ‘CF’
2. Mercury Casualty Company, 343347 (STF) ‘CF’
3. Mercury Casualty Company, 444716 (STF) ‘CF’
4. Mercury Insurance Company, 444718 (STF) ‘CF’

Relief of Penalty
5. Idemitsu Apollo Corporation, 730465 (STF)

There are no items for the following matters:
G7. Special Taxes Matters – Credits, Cancellations, and Refunds
G8. Property Tax 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

Cases Heard Not Decided
1. Data Physics Corporation, 425711, 473226 (GH) +
2. Nnadi Linus Udengwu, 515515 (AP) +
3. Sonja M. Craighton, 558975 (KH) +
4. Store2Door, Inc., 352179 (GH) +
5a. Blowfish SR, LLC, 479540 (GH) +
5b. Blowfish, LLC, 484932 (BH) +
6. Hardip Singh Sandhu, 533270 (KH) +

Petition for Rehearing
7. Akop Jack Chichyan, Vicken Djeredjian, and Mnatsakan Mike Grigoryan, 388129 (STF) +

Section 40 (AB 2323) Matters
8. Loh Sun International, Inc., Kent La, Nancy La, and John La, 480987, 480989, 506428 (STF) +
H2. Franchise and Income Tax Matters ........................................ Mr. Thompson
   ➢ Hearing Notices Sent – No Response
   1a. James S. Gandrup, 605520
   1b. Carol Grant, 600451
   1c. Eldo M. Klingenberg, Jr., 600453
   1d. Dan Pickell, 600488
   1e. Marianne Pretscher-Johnson, 605527
   1f. Darrell L. Rich, 608471
   ➢ Petition for Rehearing
   2. Scott L. Stringer and Irene Stringer, 609814, 610020
   ➢ Case Heard Not Decided
   3. David Du Tran and Thuyen Thi Tran, 547815

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. Gau
       ➢ Board Roll Changes
       1. 2011 and 2012 Board Rolls of State Assessed Property ‘CF’
   I2. Offer in Compromise Recommendations..............................Mr. Anderson
       1. Sharina Alloush
       2. Mark Alvin Bell
       3. Ronald F. Maciej
       4. David Todd Methven
   I3. Local Tax Reallocation Matters...........................................Ms. Nienow
       ➢ Petition for Rehearing
       1. City of Milpitas, 571838 +
       ➢ Section 40 (AB2323) Matters
       2. City of Fillmore, 466375 +

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

J. Rulemaking
   J1. Second Readoption of Emergency Regulation 2000, Retailer Reimbursement Retention + .....................................................Mr. Heller
       Recommendation and request for second readoption of emergency Regulation 2000 to maintain the status quo while the Board considers the adoption of a permanent regulation.
Section 100 Changes

J2. Proposed amendments to Regulation 1642, Bad Debts + .......... Mr. Heller

Request authorization to publish proposed amendments to make the regulation consistent with amendments to Revenue and Taxation Code sections 6055 and 6203.5.

There are no items for the following matters:
K. Business Taxes
L. Property Taxes
M. Other Chief Counsel Matters

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 +
   • MaryAnn Hay
   • Irma De La Paz Hernandez
   • James R. Hewitt
   • Susan K. Janota
   • Frank D. Love
   • David L. Mayo
   • Stephen R. Rudd

N2. Approval of Board Meeting Minutes
   • December 18-19, 2012 +
   • January 15, 2013 +

N3. Proposed revision to Audit Manual (AM) Chapter 1, General Information +

   Request approval to add proposed AM section 0101.22, Standard of Proof.

N4. Proposed addition of new Compliance Policy and Procedures Manual (CPPM) Chapter 10, Statewide Compliance and Outreach Program (SCOP) +

   Request approval to add new CPPM chapter.

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
P. Other Administrative Matters

P1. Executive Director's Report ................................................................. Ms. Bridges

1. 2013 Best of California Award – Center for Digital Government .......................................................... Ms. Fleming
   Best IT Collaboration Among Organizations – Financial Institution Record Match Project – FIRM – Group Award to
   Board of Equalization, Employment Development Department and Franchise Tax Board.

2. CROS Project Update and Actions ....................................................... Mr. 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

P5. Administration Deputy Director's Report + ........................................ Ms. Houser

1. 2013/14 Legislative Budget Change Proposal +
   A proposal will be presented for Board discussion and approval.
   a. Senate Bill 90 and Assembly Bill 93, Manufacturer’s Sales and Use Tax Exemption

2. 2014/15 Budget Change Proposals +
   Proposals will be presented for Board direction and approval for inclusion in the Governor’s Fiscal Year 2014/15 Budget.
   a. Fire Prevention Fee +
   b. Southern California Appeals and Settlement Unit +
   c. Headquarters Facility Consolidation +
   d. Intrusion Detection/Intrusion Prevention System +
   e. Valuation Factors Studies +
   f. Managed Care Organization Tax (Leg. BCP deferred to FY 2014/15) +

3. Bargaining Unit Contract Update
   Highlights may be provided on the bargaining unit(s) and tentative agreement(s). A presentation may be provided on
   BOE employee’s participation in educational enrichment, training and upward mobility programs pursuant to the
   Memorandums of Understanding.

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. Pending litigation: Lucent Technologies, Inc., and AT&T Corp. v. State Bd. of Equalization, Superior Court of Los Angeles (Case No. BC402036) (Lucent I), consolidated with Lucent Technologies, Inc., v. State Bd. of Equalization, Superior Court of Los Angeles (Case No. BC448715) (Lucent II) (Gov. Code, § 11126(e)).

Q3. Pending litigation: Myers v. State Bd. of Equalization, et al., Superior Court of Los Angeles (Case No. BS143436) (Gov. Code, § 11126(e)).

Q4. Pending litigation: Western States Petroleum Association v. State Bd. of Equalization, Supreme Court of California (Case No. S200475) (Gov. Code, § 11126(e)).

Q5. Discussion and action on personnel matters (Gov. Code, § 11126(a)).

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

Adjourn

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Joann Richmond, Chief
Board Proceedings Division
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.

Public comment on any agenda item, other than a Closed Session item or an item which has already been considered by a Board Committee, will be accepted at that meeting.

Material is available for this item.

Constitutional Function – The Deputy State Controller may not participate in this matter under Government Code section 7.9.