

**FRANCHISE TAX BOARD  
MINUTES  
FEBRUARY 25, 2004**

The Franchise Tax Board met in open session at 2:00 p.m. at the State Board of Equalization, 450 N Street, Hearing Room 121, Sacramento, California. Present were Hon. Steve Westly, Betty T. Yee, representing Hon. Carole Migden, and Connie Squires, representing Hon. Donna Arduin. During part of the meeting, the Controller was represented by Deputy Controller Marcy Jo Mandel.

**Franchise Tax Board**

**Staff Participating:** Gerald H. Goldberg, John W. Davies, Donald L. Buxton, Lisa Crowe, Brian Putler, Titus Toyama, Lisa Garrison, Mike Brownell, Jeffrey Margolis, Patrick Kusiak, Ben Miller, and Claudette Romo.

**Others Participating:** Prentiss Wilson, Jr., Ernst & Young; Michelle Chang, Ernst & Young; Christopher J. Matarese, Esq., Ajalat, Polley & Ayooob; and J. Pat Powers, Esq., Baker and McKenzie.

**Item 1. -- Approval of Board Minutes**

The minutes of the December 2, 2003, Franchise Tax Board meeting and the Taxpayers' Bill of Rights Hearing were unanimously approved.

**Item 2. – Legislative Matters**

The following positions for bills were approved 2-0 (Ms. Squires abstaining):

AB 79	Support
AB 214	Support
AB 658	Support
AB 1283	Support
AB 1338	Support if Amended
SB 438	Support
SB 1147	Support

**Item 3. – NetFile/E-File**

The Board received a staff report regarding electronic filing.

**Item 4. – Regulation Matters**

2004 Rulemaking Calendar

(Prior to receiving public comment, the Controller asked Deputy Controller Marcy Jo Mandel to assume his responsibilities as chair.)

The Board heard from the following persons in connection with this item:

J. Pat Powers, Esq., Baker & McKenzie  
Christopher J. Matarese, Esq., Ajalat, Polley & Ayoob

After deletion of two items,\* the Board voted unanimously (3-0) to approve the 2004 Rulemaking Calendar.

\*The following two items were deleted:

Cal. Code Regs., tit. 18, § 25120(e) [definition of gross receipts, Calendar page 41]

Cal. Code Regs., tit. 18, § 25137(c)(1)(D) [sales factor – churning, Calendar page 44]

#### **Item 5. – Abusive Tax Shelter Program/Voluntary Compliance Initiative**

The Board received a staff report on the Abusive Tax Shelter Program and the Voluntary Compliance Initiative.

#### **Item 6. – Revenue & Taxation Code Section 25137 Petitions**

a. Alpine Electronics

The Board voted unanimously (3-0) to deny this petition.

b. Infosys Technology Ltd.

The Board voted unanimously (3-0) to deny this petition.

#### **Item 7. -- Child Support**

The Board received an update from Mr. Goldberg regarding the automated statewide child support system.

#### **Item 8. – Streamlined Sales Tax Project**

The Board voted 2-0 (Ms. Squires abstaining) to confirm that the Controller would serve as the Board's representative for the Streamlined Sales Tax Project.

#### **Item 9. – Administrative Matters**

a. Contracts Over \$1 Million - IBM – Request for Board Approval

The Board unanimously (3-0) approved this contract.

b. FY 04/05 Finance Letters

The Board received a staff report on this item.

c. Finance Letter #5 – Real Estate Withholding Program – Extension of Limited-Term Positions

The Board voted 2-0 (Ms. Squires abstaining) to approve this Finance Letter.

**Item 10. – Executive Officer’s Time**

There was no discussion under this Agenda item.

**Item 11. – Board Members’ Time**

There was no discussion under this Agenda item.

**Announcement Regarding Closed Session**

Deputy Controller Marcy Jo Mandel announced the agenda for the Closed Session pursuant to Government Code section 11126.3.

Ms. Mandel then adjourned the open session in memory of Gerhard R. Von Lippmann, who passed away on December 18, 2003.

The meeting was adjourned at 3:24 p.m.

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Board Secretary

\_\_\_\_\_  
Date