

FRANCHISE TAX BOARD  
MINUTES  
DECEMBER 1, 2011 MEETING

The Franchise Tax Board met in open session at 1:30 p.m. at the Franchise Tax Board, 9646 Butterfield Way, Gerald Goldberg Auditorium, Sacramento, California. Present were Deputy Controller Marcy Jo Mandel for Hon. John Chiang, Chair, Hon. Jerome E. Horton, and Chief Deputy Director Pedro Reyes for Hon. Ana J. Matosantos.

**Franchise Tax Board**

**Staff Participating:** Selvi Stanislaus, Geoffrey R. Way, Patrick Kusiak, Jeanne Harriman, Anne Maitland, Melissa Potter, Ben Miller, Steve Sims, and Colleen Berwick.

**Others Participating:** David Feldman, ZF Micro Solutions; Lee Snorteland, ZF Micro Solutions; David Arthur, ZF Micro Solutions; Marsha Armstrong, ZF Micro Solutions; Vicki Mulak, California Society of Enrolled Agents; Gina Rodriguez, California Taxpayers Association; Eric Miethke, Nielsen Merksamer; Lynn Freer, Spidell Publishing, and Paul Benedetto, California Technology Agency.

**Item 1. – Approval of Minutes**

The minutes of the September 8, 2011, Franchise Tax Board meeting were unanimously approved (3-0).

**Item 2. – Legislative Matters**

Legislative Proposals – Staff report and Board approval.

The Board received a brief summary of four legislative proposals.

The Board heard from the following member of the public regarding this Agenda item:

Gina Rodriguez – California Taxpayers Association

The Board voted 2-0 (Member Reyes abstaining) to approve the following proposals:

LP A – Assess Penalties & Reimbursement Fees to Suspended, Forfeited, or Non-qualified Limited Liability Companies (LLCs) That Similarly-Situated Corporations are Subject to Codify LLC Discretionary Revivor.

LP B – Conformity to Federal Holiday Due Date Extensions.

LP C – Re-enact Taxpayer Advocate Equity Relief.

LP D – Relief from Imposition of the Minimum Franchise Tax on Charitable Corporations.

**Item 3. – Regulation Matters**

a. 2012 Rulemaking Calendar – Board approval.

The Board voted unanimously (3-0) to approve the Rulemaking Calendar.

b. Regulations – Begin the OAL Process – Staff report and Board action.

1. Proposed Regulations 18662-0 through 18662-8 (Withholding at Source) and 19002 (Credit for Tax Withheld).

2. Proposed Regulation 19089 (Notice of Bankruptcy or Receivership).
3. Proposed Regulation 19131 (First Time Abate Program).
4. Proposed Regulation 19266 (Financial Institution Record Match – FIRM).
5. Proposed Regulation 25106.5 (Sales Factor. Sales of Tangible Personal Property – Finnigan).
6. Proposed Regulation 25106.5-1 (Intercompany Transactions).

The Board received a staff report on the six proposed regulations and voted unanimously (3-0) to approve the staff request to proceed with the formal regulatory process.

c. Regulations – Board approval/adoption – Staff report and Board action.

1. Proposed Regulation 25136-2 (Sales Other Than Sales of Tangible Personal Property).

The Board received a staff report and voted unanimously (3-0) to approve the staff request to adopt the regulation.

2. Proposed Regulations 25137-8.1 and 25137-8.2 (Motion Pictures).

The Board heard from the following member of the public regarding this Agenda item:

Eric Miethke – Nielsen Merksamer

The Board received a staff report and voted unanimously (3-0) to approve the staff request to adopt the regulation.

**Item 4. – Administrative Matters**

a. 2012/13 Budget Change Proposals – Board approval.

1. BCP #4 – AB 1424

The Board voted 2-0 (Member Reyes abstaining) to approve the BCP.

b. Contracts over \$1 million – Board approval.

1. Aastra – E-Private Branch Exchange (PBX) System Maintenance.

The Board voted unanimously (3-0) to approve the contract.

**Item 5. – Taxpayers' Bill of Rights Hearing**

See attached Taxpayers' Bill of Rights Hearing, Franchise Tax Board, Minutes, December 1, 2011.

**Item 6. – Executive Officer's Time**

Selvi Stanislaus announced an award presentation to FTB by the National Association of State Chief Information Officer's (NASCIO) office. Paul Benedetto, California

Technology Agency, presented the award for outstanding information technology achievement for the risk management initiatives category.

Ms. Stanislaus also discussed the 2012 to 2016 Strategic Plan and discussed the VCI 2 initiative.

**Item 8. – Board Members' Time**

There was no discussion under this Agenda item.

The Deputy Controller announced the agenda for and the Board convened in Closed Session commencing at 3:02 p.m. pursuant to Government Code section 11126.3.

The Board reconvened in open session and adjourned the meeting at 3:19 p.m.

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Board Liaison

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Date