

**OFFICE OF TAX APPEALS  
STATE OF CALIFORNIA**

In the Matter of the Appeal of: ) OTA Case No. 20127089  
MRS. LASH & BEAUTY BAR LLC )  
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**OPINION**

Representing the Parties:

For Appellant: Minzuan Chen

For Respondent: Eric A. Yadao, Tax Counsel III

For Office of Tax Appeals: Samuel Tari, Graduate Student Assistant

T. LEUNG Administrative Law Judge: Pursuant to Revenue and Taxation Code (R&TC) section 19324, Mrs. Lash & Beauty Bar LLC (appellant) appeals an action by respondent Franchise Tax Board (FTB) denying appellant’s claim for refund of \$800 for the 2020 taxable year.

Appellant waived its right to an oral hearing; therefore, this matter is being decided based on the written record.

**ISSUE**

Whether appellant is liable for the \$800 limited liability company (LLC) annual minimum tax.

**FACTUAL FINDINGS**

1. Appellant filed its articles of organization with the California Secretary of State (SOS) on August 29, 2019.
2. On October 5, 2020, appellant made a tax payment of \$800 for the 2020 taxable year.
3. Along with the payment, appellant filed a claim for refund for the 2020 taxable year, asserting that the “15-day exception” found in R&TC section 17946 should apply.
4. FTB denied appellant’s claim for refund for the 2020 taxable year.

### DISCUSSION

Every LLC is required to pay an annual minimum tax to California for the privilege of doing business in this state if one of three requirements are met: (1) the LLC is doing business in this state as defined in R&TC section 23101; (2) the LLC's articles of organization have been accepted by the SOS; or (3) a certificate of registration has been issued by the SOS. (R&TC, § 17941(a), (b)(1).) A taxpayer is doing business in this state if it is organized or commercially domiciled in this state. (R&TC, § 23101(b)(1).) The annual minimum tax is \$800. (R&TC, § 23153(d)(1).)

In relevant part, the annual minimum tax must be paid for each taxable year, or part thereof, until a certificate of cancellation of the LLC is filed with the SOS. (R&TC, § 17941(b)(1).) The annual minimum tax is due "on or before the 15th day of the fourth month of the taxable year." (R&TC, § 17941(c).) There is no "reasonable cause" exception to the imposition of the annual minimum tax.

However, no annual minimum LLC tax is due if either R&TC section 17946 or R&TC section 17947 applies. Under R&TC section 17946, no annual minimum LLC tax is due if two conditions are met: (1) the LLC did no business in this state during the taxable year and (2) the taxable year was 15 days or less. Under R&TC section 17947, no annual minimum LLC tax is due if the LLC does all of the following: (1) files with FTB a timely final annual tax return for the preceding taxable year; (2) does not do business in this state after the end of the taxable year for which the final annual tax return was filed; and (3) in relevant part files a certificate of dissolution with the SOS before the end of the 12-month period beginning with the date the final annual tax return was filed.

On appeal, appellant contends that there is reasonable cause to refund the minimum tax, stating that it invested over \$40,000 in renovations but was unable to do business because of COVID-19, resulting in indefinite business closures and much hardship. Appellant does not dispute that it organized its business in California, but it argues that it never opened as a result of the COVID-19 pandemic.

Because appellant was organized in this state on August 29, 2019, appellant is liable for the \$800 annual minimum LLC tax until it properly filed a certificate of cancellation with the SOS. (R&TC, § 17941(a), (b)(1).)

R&TC section 17946 is only applicable if the LLC’s taxable year was 15 days or less. Here, appellant’s taxable year was greater than 15 days. Appellant’s taxable year is the entirety of taxable year 2020 because appellant’s articles of organization were not canceled with the SOS during 2020. (R&TC, § 23101(b)(1).) This period is greater than 15 days. Therefore, appellant failed to satisfy the two-prong test set forth in R&TC section 17946.

Finally, R&TC section 17947 does not apply because appellant did not meet the requirements of subdivision (a)(1) thereof: Appellant did not file a timely final 2019 tax return. Appellant also failed to meet the requirements of R&TC section 17947(a)(3) because appellant did not file a certificate of dissolution with the SOS. Thus, appellant failed to meet the requirements of R&TC section 17946 and 17947 and must pay the \$800 minimum LLC tax.

HOLDING

Appellant is liable for the \$800 LLC annual minimum tax.

DISPOSITION

FTB’s action is sustained.

DocuSigned by:  
*Tommy Leung*  
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Tommy Leung  
Administrative Law Judge

We concur:

DocuSigned by:  
*Amanda Vassigh*  
7B17E958B7C14AC...  
Amanda Vassigh  
Administrative Law Judge

DocuSigned by:  
*Keith Long*  
DC88A60D8C3E442...  
Keith T. Long  
Administrative Law Judge

Date Issued: 11/16/2021