



BEFORE THE STATE BOARD OF EQUALIZATION
OF THE STATE OF CALIFORNIA

In the Matter of the Appeal of }
CORONET COMEDIES, INC. }

Appearances:

For Appellant: Raymond R. Hails

For Respondent: Albert A. Manship, Franchise Tax Commissioner

O P I N I O N

This is an appeal pursuant to Section 25 of the Bank and Corporation Franchise Tax Act (Chapter 13, Statutes of 1929) from the action of the Franchise Tax Commissioner in overruling the protest of Coronet Comedies, Inc., to his proposed assessment of an additional tax in the amount of \$735.09, based upon its return for the taxable year ended June 30, 1930.

There appears to be no dispute as to the facts. The additional tax is the result of the inclusion by the Commissioner in the taxable income of the Appellant of royalties received by the corporation on copyrights owned by it and granted by the United States. It appears that the amounts so received were \$20,745.99 and had been excluded by the Appellant in computing its tax liability upon the theory that the use of such income in the calculation of the tax is prohibited by the Constitution of the United States.

The Appellant relies upon the decisions of the United States Supreme Court in the cases of Long v. Rockwood, 277 U. S. 142, and Macallen v. Massachusetts, 279 U. S. 620. In answer the Commissioner cites the decision of the same Court in the case of Educational Films Corporation of America v. Ward, 51 Sup. Ct. Rep. 170, in which a New York tax similar to that imposed under the California law was held valid as applied to income derived from royalties on copyrights.

In view of the close analogy between the New York and California statutes and of the decision in the Educational Films Corporation of America case, supra, and also for the reasons mentioned in our opinion in the case of Vortex Manufacturing Company (filed August 4, 1930) involving a somewhat similar point, we do not feel warranted in holding that the California law is unconstitutional. Consequently, we conclude that we must sustain the action of the Commissioner.

Appeal of Coronet Comedies, Inc.

O R D E R

Pursuant to the views expressed in the opinion of the Board on file in this proceeding and good cause appearing therefor,

IT IS HEREBY ORDERED, ADJUDGED AND DECREED, that the action of the Franchise Tax Commissioner in overruling the protest of Coronet Comedies, Inc., a corporation, against the proposed assessment of an additional tax under Chapter 13, Statutes of 1929, in the amount of \$735.09 based upon the return of said corporation for the taxable year ended June 30, 1930, be and the same is hereby sustained.

Done at Sacramento, California, this 14th day of December, 1931, by the State Board of Equalization.

Jno. C. Corbett, Chairman
R. E. Collins, Member
H. G. Cattell, Member
Fred E. Stewart, Member

ATTEST: Dixwell L. Pierce, Secretary