



BEFORE THE STATE BOARD OF EQUALIZATION  
OF THE STATE OF CALIFORNIA

In the Matter of the Appeal of }  
THE JADE OIL COMPANY }

Appearances:

For Appellant: N. C. McDonald, Certified Public Accountant

For Respondent: Chas. J. McColgan, 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, Stats. 1929, as amended) from the action of the Franchise Tax Commissioner in overruling the protest of The Jade Oil Company to a proposed assessment of an additional tax of \$79.42 for the year 1931, based upon its return for the year 1930. The additional assessment was proposed due to the Commissioner disallowing as deductions from income for the year 1930, an item of \$2,122.41, representing depletion allowance based upon January 1, 1928 values of oil wells and an item of \$1,099.91 representing federal income taxes paid during the year 1930, but applicable to prior years.

The issues involved in this appeal are whether depletion allowance in the case of oil wells-can be computed upon the basis of January 1, 1928 values for the purpose of arriving at net income to be used as the measure of a tax for the year 1931, and whether federal income taxes for years prior to the effective date of the Act which are paid during a year after the effective date of the Act can be considered as having accrued during the year in which paid, and hence deductible from the gross income of that year under the provisions of Section 8(c).

Both of the above issues have been passed upon by this Board in previous appeals. In the Appeal of United States Oil & Royalties Company (decided by this Board on the tenth day of May, 1932) we held that in arriving at net income to be used as the measure of a tax for the year-1931, depletion allowance in the case of oil wells cannot be computed upon the basis of January 1, 1928 values, and in the Appeal of The May Department Stores Company (decided by this Board on the eleventh day of May, 1932) we held that federal income taxes for the years 1917 to 1928, inclusive, could not be considered as having accrued during the year 1931 when the taxes were paid. We are of the opinion that these decisions control our decision in the instant appeal.

O R D E R

Pursuant to the views expressed in the opinion of the Board

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on file in this proceeding, and good cause appearing therefor,

IT IS HEREBY ORDERED, ADJUDGED AND DECREED, that the action of Chas. J. **McColgan**, Franchise Tax Commissioner, in overruling the protest of The Jade Oil **Company**, **against** proposed assessment of additional taxes under Chapter 13, Statutes of 1929, as amended, be and the same is hereby sustained.

Done at Sacramento, California, this 10th day of 'October, 1932, by the State Board of Equalization.

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

ATTEST: Dixwell L. Pierce, Secretary