



BEFORE THE STATE BOARD OF EQUALIZATION
OF THE STATE OF CALIFORNIA

In the Matter of the Appeal of)
T. J. HORGAN CO.)

Appearances:

For appellant: Mr. P. G. Sheehy, Attorney at Law

For respondent: Hon. 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 (Stats. 1929, Chapter 13, as amended) from the action of the Franchise Tax Commissioner in overruling the protest of T. J. Horgan Co., a corporation, to a proposed assessment of an additional tax in the amount of \$901.66, based upon its return for the period beginning September 1, 1929 and ended February 28, 1930.

Apparently, the additional assessment was proposed due to an adjustment of appellant's opening inventory for the period beginning September 1, 1929, in order to make it conform to appellant's closing inventory for the period ended August 31, 1929.

It appears that the closing inventory for the period ended August 31, 1929 was \$26,221.13, whereas the opening inventory for the period beginning September 1, 1929 was \$45,107. The Commissioner reduced the opening inventory to \$26,221.13 and treated the \$18,885.97 discrepancy as net income for the period beginning September 1, 1929 and ended February 28, 1930, and proposed the additional assessment accordingly.

Appellant concedes the correctness of this adjustment of its opening inventory inasmuch as the opening inventory erroneously included \$18,885.97 of machinery and equipment, whereas the closing inventory for the prior period included only raw materials and supplies on hand. But appellant contends that a similar adjustment should be made in its closing inventory for the period ended February 28, 1930, since this inventory also erroneously included machinery and equipment in the amount of \$24,636.56.

After careful consideration of the matter, we have concluded that the evidence submitted by appellant satisfactorily establishes that the inventory as of February 28, 1930 erroneously included \$24,636.56 of machinery and equipment and should be reduced accordingly. Inasmuch as this adjustment

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apparently will eliminate the necessity for the proposed additional assessment, we must hold, consequently, that the Commissioner erred in overruling appellant's protest thereto.

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 Chas. J. McColgan, Franchise Tax Commissioner, in overruling the protest of T. J. Horgan Co., a corporation, against a proposed additional assessment based upon the return of said corporation for the period ended February 28, 1930, under Chapter 13, Statutes of 1929, be and the same is hereby reversed. Said ruling is hereby set aside and said Commissioner is hereby directed to proceed in conformity with this order.

Done at Sacramento, California, this 17th day of February, 1933, by the State Board of Equalization.

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

Attest: Dixwell L. Pierce, Secretary