



BEFORE THE STATE BOARD OF EQUALIZATION
OF THE STATE OF CALIFORNIA

In the Matter of the Appeal of }
CALIFORNIA LOAN CORPORATION }

O P I N I O N

This is an appeal pursuant to Section 27 of the Bank and Corporation Franchise Tax Act (Chapter 13, Statutes of 1929, as amended) from the action of the Franchise Tax Commissioner in denying the claim of California Loan Corporation for a refund of taxes paid under the Act based upon its return for the year ended December 31, 1932.

It appears that during the year 1932, Appellant paid taxes in the amount of \$226.05 which were levied on a certain parcel of real estate acquired by it. It further appears that the taxes became a lien upon the property and were due or delinquent prior to the time Appellant acquired the property. Appellant states that for the purpose of convenience the taxes were added to the cost of the property on Appellant's records. In its return for the year 1932, no deduction was made on account of the taxes, but subsequently, Appellant claimed that under the Act the taxes were deductible from gross income, and that, accordingly, it should obtain a refund of a portion of the franchise tax based upon its 1932 return.

Section 8(c) of the Act provides that with certain specified exceptions, not here material, taxes or licenses paid or accrued during the year shall be deducted from gross income in arriving at net income for the year. We are of the opinion, however, that in so far as property taxes are concerned, this section has reference only to taxes imposed upon the property of the taxpayer and has no reference to taxes imposed prior to the time the property was acquired. In our opinion, any amount paid by a party acquiring property on account of taxes which were due or delinquent prior to the time the property was acquired, should be considered as a part of the cost of the property, and the amounts so paid are not a deductible expense.

O R D E R

Pursuant to the view 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 Charles J. McColgan, Franchise Tax Commissioner, in denying the claim of California Loan Corporation for a refund of taxes paid under Chapter 13, Statutes of 1929, as amended, based upon its return for the year ended December 31, 1932, be and the same is hereby sustained,

Appeal of California Loan Corporation

Done at Sacramento, California, this 25th day of October,
1935, by the State Board of Equalization.

R. E. Collins, Chairman
John C. Corbett, Member
Fred E. **Stewart**, Member
Orfa Jean Shontz, Member
Ray L. Riley, Member

ATTEST: Dixwell L. Pierce, Secretary