



BEFORE THE STATE BOARD OF EQUALIZATION
OF THE STATE OF CALIFORNIA

In the Matter of the Appeal of)
GEORGE H. AND G. G. WILLIAMSON)

For Appellants: George H. Williamson, in pro. per.
For Respondent: Crawford H. Thomas
Chief Counsel
Gary Paul Kane
Legal Assistant

O P I N I O N

This appeal is made pursuant to section 18594 of the Revenue and Taxation Code from the action of the Franchise Tax Board on the protest of George H. and G. G. Williamson against a proposed assessment of additional personal income tax in the amount of \$50 for the year 1961.

The question presented in this appeal is whether appellants are entitled to a bad debt deduction of \$2,416.93 for the year 1961.

Appellants resided on a farm located near Lake Orion, Michigan from December 1951 until August 1952, when they moved to California. On May 16, 1952, appellants sold various items to one Lyle E. Drugich, who was then renting their Michigan farm. Mr. Drugich took possession of the goods but disappeared without having paid the \$2,416.23 purchase price. Appellants' last contact with Mr. Drugich was a letter from him dated December 31, 1952. Subsequent attempts to locate him have been unsuccessful.

Appellants deducted the indebtedness of Mr. Drugich as a worthless debt in their 1961 return. Respondent disallowed the bad debt deduction on the ground that appellants had failed to show that the debt became worthless in 1961.

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Section 17207 of the Revenue and Taxation Code permits a deduction for debts "which become worthless within the taxable year."

Appellants have the burden of showing that some identifiable event occurred during 1961 which formed a reasonable basis for abandoning any hope in that particular year that the debt would be paid sometime in the future. (Redman v. Commissioner, 155 F.2d 319; Watkins v. Glenn, 88 F. Supp. 70.) Faced with this burden, appellants have failed to submit any evidence to carry it. The bare facts before us indicate that the debt was worthless long before 1961. Under the circumstances, we must sustain respondent's action.

Our conclusion makes it unnecessary for us to consider a further contention raised by respondent after the appeal was filed to the effect that the bad debt is not deductible because it is allocable to income wholly exempt from California personal income tax.

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,

