



81-SBE-152

BEFORE THE STATE BOARD OF EQUALIZATION
OF THE STATE OF CALIFORNIA

In the Matter of the Appeal of)
JOHN K. EHRETZ)

For Appellant: John K. Ehretz,
in pro. per.

For Respondent: Daniel A. Borzoni
Counsel

O P I N I O N

This appeal is made pursuant to section **18593** of the Revenue and Taxation Code from the action of the Franchise Tax Board on the protest of John K. Ehretz against a proposed assessment of additional personal income tax in the amount of **\$1,239.44** for the year 1979.

Appeal of John K. Ehretz

The issue presented for decision is whether appellant is entitled to a deduction for the decline in value of his monetary assets caused by inflation.

On his 1979 personal income tax return, appellant claimed a loss of **\$13,807.00**. He based his loss on the dollar's 15.7 percent market value decline in the Los Angeles area during **1979**. Respondent disallowed the claimed loss and made other adjustments which are not at issue in this appeal, resulting in the subject proposed assessment.

Appellant appears to contend that the decline in value of money should be allowed as a loss deduction (Rev. & Tax. Code, § 17206) or a depreciation deduction (Rev. & Tax. Code, § 17208). Respondent asserts that no deductible loss occurred for tax purposes under either of those sections. Appellant must show that respondent's determination was erroneous. (Appeal of Ronald W. Matheson, Cal. St. Bd. of Equal., Feb. 6, 1980; Appeal of Myron E. and Alice Z. Gire, Cal. St. Bd. of Equal., Sept. 10, 1969.)

Appellant has not shown that he is entitled to the claimed loss. A loss is not allowable under section 17206 (or the corresponding federal provision, Internal Revenue Code of 1954, § 165) for any decline in market value caused by inflation. (Arthur J. Crossland, ¶ 76,059 P-H Memo. T.C. (1976).) Appellant has not shown how his "monetary assets" come within the depreciation provisions of Revenue and Taxation Code section 17208. The regulations accompanying that section clearly provide that a depreciation allowance "shall not reflect amounts representing a mere reduction in market value." (Cal. Admin. Code, tit. 18, reg. 17208(a), subd. (1) (Repealer filed April 18, **1981**, Register **81**, No. 16).)

While we are sympathetic with appellant's concern about the declining value of the dollar, there is no basis in law for his claimed loss deduction. Respondent's action is, therefore, sustained.

Appeal of John K. Ehretz

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, pursuant to section 18595 of the Revenue and Taxation Code, that the action of the Franchise Tax Board on the protest of John K. Ehretz against a proposed assessment of additional personal income tax in the amount of **\$1,239.44** for the year 1979, be and the same is hereby sustained.

Done at Sacramento, California, this 16th day of November , **1981**, by the State Board of Equalization, with Board Members Mr. Dronenburg, **Mr.** Reilly, Mr. Bennett and Mr. Nevins present.

Ernest J. Dronenburg, Jr. _____, Chairman

George R. Reilly _____, Member

William M. Bennett _____, Member

Richard Nevins _____, Member

_____, Member