

OFFICE OF TAX APPEALS
STATE OF CALIFORNIA

In the Matter of the Appeal of:) OTA Case No. 20106817
F. YAZDANI AND)
A. YAZDANI)
_____)

OPINION

Representing the Parties:

For Appellants: F. Yazdani

For Respondent: Jason Riley, Tax Counsel IV

For Office of Tax Appeals: David Kowalczyk, Tax Counsel

T. LEUNG, Administrative Law Judge: Pursuant to Revenue and Taxation Code (R&TC) section 19045, F. Yazdani and A. Yazdani (appellants) appeal an action by respondent Franchise Tax Board (FTB) proposing additional tax of \$10,245, and applicable interest, for the 2014 taxable year.

Appellants waived their rights to an oral hearing; therefore, the matter is being decided based on the written record.

ISSUE

Whether appellants have established that they are entitled to their claimed \$130,655¹ Schedule CA subtraction.

FACTUAL FINDINGS

1. Appellants filed their joint 2014 California Resident Income Tax Return, which included a Schedule CA. Appellants received a 2014 California Schedule K-1 from Pine, which

¹ FTB initially disallowed the entire claimed \$132,569 Schedule CA subtraction on appellants’ 2014 tax return. FTB later agreed that appellants were entitled to \$1,914 of their claimed Schedule CA subtraction. Accordingly, the remaining \$130,655 (\$132,569 - \$1,914) of appellants’ claimed Schedule CA subtraction is in dispute.

- reported that their share of Pine’s California income was \$114,112 because their share of the federal amount was \$116,026, with a California subtraction of \$1,914.
2. On their Schedule CA, appellants reported \$132,569 of California subtractions on the line for California rental real estate, royalties, and partnership income. Appellants reported that the \$132,569 Schedule CA subtraction included a \$116,342 from Pine, even though Pine reported only a \$1,914 California subtraction on appellants’ California Schedule K-1.
 3. FTB contacted appellants and asked them to substantiate their claimed \$132,569 Schedule CA subtraction.
 4. Subsequently, FTB issued a Notice of Proposed Assessment (NPA), disallowing appellants’ \$132,569 Schedule CA subtraction because appellants did not substantiate it.
 5. After appellants substantiated a \$1,914 California subtraction for Pine, FTB issued a Notice of Action revising its NPA, disallowing \$130,655 of appellants’ \$132,569 Schedule CA subtraction.

DISCUSSION

FTB’s determination is presumed correct and the taxpayer has the burden of proving error. (*Appeal of Wright Capital Holdings, LLC*, 2019-OTA-219P.) Income tax deductions are a matter of legislative grace, and the taxpayer bears the burden of proving entitlement to any claimed deduction. (*Appeal of Dandridge*, 2019-OTA-458P.) Unsupported assertions are not enough to satisfy the taxpayer’s burden of proof. (*Ibid.*) FTB’s determination must be upheld in the absence of credible, competent, and relevant evidence showing that its determination is not correct. (*Appeal of Chen and Chi*, 2020-OTA-021P.)

Here, appellants argued that the \$132,569 subtraction is related to differences between California and federal law. Specifically, appellants assert “as California did not allow the losses in prior years that the federal government has allowed and now when profits are included in the federal return these prior year losses are allowed on the California return.” However, appellants have substantiated only \$1,914 of their claimed Schedule CA subtraction. Appellants have not provided any documentation to establish the other \$130,655 of claimed Schedule CA subtractions.

Therefore, appellants have not established that they are entitled to \$130,655 of their claimed Schedule CA subtractions. Appellants also asked that penalties and interest be waived,

but offered no reason(s), arguments, and/or facts upon which to grant such a request. Thus, we will address this request no further.

HOLDING

Appellants have not established that they are entitled to \$130,655 of their claimed Schedule CA subtraction.

DISPOSITION

FTB’s action is sustained in full.

DocuSigned by:
Tommy Leung
OC90542BE88D4E7...
Tommy Leung
Administrative Law Judge

We concur:

DocuSigned by:
Kenneth Gast
3AF5C32BB93B456...
Kenneth Gast
Administrative Law Judge

DocuSigned by:
E. S. Ewing
2D8DE82EB85E4A6...
E. Scott Ewing
Administrative Law Judge

Date Issued: 1/11/2022