



87-SBE-011 .

BEFORE THE STATE BOARD OF EQUALIZATION
OF THE STATE OF CALIFORNIA

In the Matter of the Appeals of)
BALDAR INDUSTRIES, INC.,) Nos. 80R-93 and
TAXPAYER, AND BRUCE F. BALENT,) 82A-1005-MW
ASSUMER AND/OR TRANSFEREE)

For Appellants: Bruce F. Balent

For Respondent: Elleene R. Tessier
Counsel

O P I N I O N

These appeals re made pursuant to section 26075, **subdivision** (a),⁴ of the **Revenue** and Taxation Code from the action of the Franchise Tax Board in denying the claim of **BalDar** Industries, Inc., for refund of franchise tax in the amount of **\$200** for the taxable year ended July 31, 1979, and **pursuant** to section **25666** of the Revenue and Taxation Code from the action of the Franchise Tax Board on the protest of **BalDar** Industries, Inc., Taxpayer, and Bruce F. **Balent, Assumer** and/or Transferee, against a proposed **assessment** of additional minimum franchise tax and penalty in the total amount of \$222 for the taxable year ended July 31, 1979. Since appellant paid the proposed **assessment** of tax and **penalty** after the filing of this appeal, it will be treated as an appeal from the denial of a **claim** for refund pursuant to section 26078.

1/ Unless otherwise specified, all **section** references are to sections of the Revenue and Taxation Code as in effect for the year and **period** in **issue**.

Appeals of BalDar Industries, Inc., Taxpayer,
and Bruce F. Balent, Assumer and/or Transferee

The questions **presented** by these appeals are:
1) whether appellant **was** entitled to a refund of the \$200 **minimum** tax it prepaid for its **first** taxable year; and
2) whether appellant **was** liable for the \$200 minimum franchise tax for the period August 1, 1979, through October 2, 1979. "Appellant" herein shall **refer** to **the** corporate appellant, **BalDar** Industries, Inc.

Appellant was incorporated as a California corporation on July 19, 1977, and selected August 1 through July 31 as its fiscal year. Upon incorporation, appellant prepaid the \$200 minimum franchise tax for its first taxable year (August 1, 1977-July 31, 1978) as required by section 23221. On **December 1, 1977, appel-**
lant made a \$200 estimated tax payment for its second taxable year (**August 1, 1978-July 31, 1979**). **Appellant** made **no** estimated tax payments thereafter **in** any year.

Appellant filed a tax **return** for its **fiscal year** ended July 31, **1978, showing** a loss. Since the **business was** proving unprofitable, **appellant** decided to dissolve. Appellant advised the Franchise Tax **Board** on December **13, 1978,** of its decision to dissolve and, on **January 12, 1979, the** Franchise Tax **Board informed** **appellant** of the tax return **requirements for obtaining** a tax clearance certificate necessary for dissolution.

Appellant filed its final tax return on August 6, 1979, reporting a loss for the fiscal year ended July 31, 1979, and showing no tax due. On its return, appellant also requested, as a dissolving corporation, **a refund** of the \$200 minimum tax it had prepaid upon incorporation. **On August 9, 1979,** the Franchise Tax Board provided appellant with **a tax clearance** certificate and appellant then filed both its certificate of election to wind-up and dissolve and its certificate **of winding up** and dissolution (hereinafter 'certificate of dissolution') with the Secretary of State. However, the certificate of **dissolution** was subsequently returned to appellant, **unfiled,** because appellant had failed **to remit the** \$15 filing fee. The certificate of **dissolution** was resubmitted with the filing fee and filed with the Secretary of State on October 2, 1979.

The Franchise Tax Board denied **appellant's** claim for refund of its \$200 minimum tax **prepayment** and issued a proposed assessment of the \$200 minimum tax for the taxable period beginning August 1, 1979, and ending

Appeals of BalDar Industries, Inc., Taxpayer,
and Bruce F. Balent, Assumer and/or Transferee

on the date appellant's **certificate of dissolution** was filed, October 2, 1979.

Appellant contends that it had no tax liability for the taxable year ended July 31, 1979, because it was not "doing business," only **winding up** and dissolving during that year, and that it is **entitled** to a refund of its \$200 prepayment because it **paid** a total of \$400 in its first taxable year. **Appellant also** argues that it is not liable for any tax for the **period** August 1, 1979, **through October 2, 1979**, because it was effectively dissolved on the date it original-y nailed its certificate of dissolution to the Secretary of State. In any case, appellant asserts, any delay in its dissolution was directly attributable to the advice and information of employees of the Franchise Tax **Board**, and the **Franchise Tax Board** should be estopped from asserting any deficiency for the period after July 31, 1979.

A California **corporation** which is not doing business within the limits of this state is not subject to the general franchise tax. (See Rev. & Tax. Code, **§§ 23101, 23151.**) Section **23153**, however, imposes an annual \$200 minimum tax on every California corporation not otherwise subject to the **general** franchise tax. The statute also provides that "[e]very such domestic corporation taxable under this **section** shall be subject to the said tax from the date of **incorporation** until the effective date of dissolution as **provided** in Section **23331.**" Section **23331** provides that, "For the purposes of this article, the effective date of **dissolution** of a corporation is . . . the date on which the certificate of winding up and dissolution is **filed** in the office of the Secretary of State." "Every **domestic** corporation is subject to the annual minimum tax from the date of incorporation until the certificate of **dissolution** is filed with the Secretary of State, even though the corporation may cease doing business prior thereto." (Emphasis added.) (Cal. Admin. Code, tit. 18, req. **23151.**)

As can be seen from the foregoing statutes and regulation, it is very clear **that** appellant was liable for the minimum tax for its year ended July 31, 1979. No contention is, or could be, made **that** appellant was dissolved prior to that fiscal year end. It makes no difference at all that appellant **had** ceased doing **business**. In addition to the general law stated above, there is a statute which specifically **provides** for **payment** of no less than the minimum tax for the year in which a

Appeals of BalDar Industries, Inc., Taxpayer,
and Bruce F. Balent, Assumer and/or Transferee

corporation ceases to do business. (Rev. & Tax. Code, § 23151.1, subds. (d), (e).)

It is equally clear that **appellant** is not entitled to any refund of its \$200 prepayment on incorporation. That prepayment, contrary to appellant's belief, was not a refundable deposit, but was a **prepayment** of its minimum tax liability for its first taxable year, which ended July 31, 1978. (Rev. & Tax. Code, § 23151.1, subd. (a); §§ 23153, 23221.) Credits for tax paid for a first taxable year are: 1) only available to those corporations which computed their first-year tax under sections 23222 to 23224 and 2) only allowed in the amount of the excess of the tax paid over the minimum tax for the first full **12-month** taxable year of doing business. (Rev. & Tax. Code, § 23201, subd. (a).) **Appellant** meets neither **of** these requirements. Sections 23222 to 23224 are only applicable to those corporations which commenced doing business in this state before January 1, **1972**. Appellant commenced doing business after that date and its first year's tax was computed under section 23151. In addition, appellant did not pay any excess over the minimum tax for its first taxable year - the estimated tax **payment** which it made on December 1, 1977, was for **its** second taxable year, ended July 31, 1979, even though it was made during appellant's first income (and taxable) year which ended July 31, 1978.

With respect to appellant's second contention, that it owes no tax for any period after its fiscal year ended July 31, 1979, the law is also clear. As we stated before, a corporation is liable for the **minimum** tax until it is dissolved, and it is not dissolved until it files its certificate of dissolution with the Secretary of State's office. Appellant's certificate of dissolution was not filed in the office of the Secretary of State until October 2, 1979, more than two months after the end of its fiscal year. Therefore, it was **not** dissolved until October 2, 1979, and it is clearly liable for the minimum tax for the taxable year which began on August 1, 1979..

Appellant argues that the certificate of dissolution is considered filed as of the date when it was first mailed to the Secretary of State. However, in the Appeal of United Linens, Inc., decided by this board on February 3, 1977, **we** found that a certificate of dissolution was **not** filed until after the December 15 fiscal year end of that appellant, where the certificate was

Appeals of BalDar Industries, Inc., Taxpayer,
and Bruce F. Balent, Assumer and/or Transferee

originally mailed to the Secretary of State on December 11, but returned to the appellant for correction of wording on December 17 and resubmitted and accepted by the Secretary of State on December 20. Appellant has cited no authority in support of its contention or in contradiction to the United Linens decision.

We conclude that the original mailing date was not the filing date of the certificate of dissolution and that the filing date, and effective date of appellant's dissolution, was October 2, 1979. Therefore, the dissolution was not effective until after a new taxable year had begun and appellant was liable for the minimum tax as assessed by the Franchise Tax Board.

Appellant also argues that the **Franchise** Tax Board should be estopped from asserting liability against it for the period after its taxable year ended July 31, 1979, because, it alleges, it received verbal instructions from one of respondent's **employees** to wait until the end of its taxable year to file its return, and this prevented it from timely filing its certificate of dissolution.

As a general rule, **estoppel** will not be invoked against the government or its agencies unless grave injustice would otherwise result; this **rule** is especially true in tax cases. (California Cigarette Concessions, Inc. v. City of Los Angeles, 53 **Cal.2d** 865, 869 [3 **Cal Rptr.** 675] (1960); U.S. Fidelity & Guaranty Co. v. State Board of Equalization, 47 **Cal.2d** 384, 389 [303 **P.2d** 1034] (1956).) **Estoppel** is an affirmative defense and the burden is on the party asserting it to establish the facts necessary to support it. (Hull v. Commissioner, 87 **F.2d** 260, 262 (4th Cir. 1937); Joyce v. Gentsch, 141 **F.2d** 891, 896-897 (6th Cir. 1944).) **Moreover**, the doctrine of **estoppel** does not erase the duty of due care and, therefore, is not available for the protection of one who has suffered loss because of his own failure to act. (Hampton v. Paramount Pictures Corporation, 279 **F.2d** 100, 104 (9th Cir.), cert. den., 364 U.S. 882 [5 **L.Ed.2d** 1031] (1960).)

Appellant has failed to provide any evidence to show that it received advice from respondent's employees to wait until the end of the taxable year to file its return. In addition, the written instructions dated January 12, '1979, which appellant received from respondent contain no statement or **implication** that it was

Appeals of **BalDar** Industries, Inc., Taxpayer,
and Bruce F. Balent, Assumer and/or Transferee

necessary to wait to the end of the taxable year to file a return; rather, the import of the instructions is that the return could and should be filed **expeditiously**. Appellant's contention that its reliance on alleged erroneous information was the **true** and direct cause of its late filing, besides being unsubstantiated, lacks credence in view of appellant's failure to properly submit its certificate of dissolution to the Secretary of State. We are unable to conclude that respondent should be estopped from asserting minimum tax liability for the period August 1, **1979**, through October 2, 1979.

Based on the foregoing, the action of the Franchise Tax Board must be sustained.

Appeals of BalDar Industries, Inc., Taxpayer,
and Bruce F. Balent, Assumer and/or Transferee

O R D E R

Pursuant to the views expressed in the opinion of the board on file in these proceedings, and good cause appearing **therefor,**

IT IS HEREBY ORDERED, ADJUDGED AND DECREED, pursuant to section 26077 of the Revenue and Taxation **Code,** that the action of the Franchise Tax Board in denying the -claim of **BalDar** Industries, Inc., for refund of franchise tax in the amount of \$200 for the taxable year ended July 31, 1979, and in denying the claim of **BalDar** Industries, Inc., Taxpayer, and Bruce F. Balent, Assumer and/or Transferee, for refund of franchise tax and penalty in the total amount of \$222 for the taxable year **ended** July 3'1, **1979,** be and the **same** is **hereby** sustained.

Done at Sacramento, California, this 3rd day of March , 1987 by the State Board of Equalization, with Board Members Mr. Collis, Mr. Bennett, Mr. **Carpenter** and Ms. Baker present.

Conway H. Collis , Chairman
William M. Bennett , Member
Paul Carpenter - - , Member
Anne Baker * , **Member**
_____ , Member

*For Gray Davis, per Government Code section 7.9