

BEFORE THE OFFICE OF TAX APPEALS

STATE OF CALIFORNIA

In the Matter of the Appeal of: )  
 )  
SARATOGA SPRINGS, INC., ) OTA NO. 230112250  
 )  
Appellant. )  
\_\_\_\_\_ )

CERTIFIED COPY

TRANSCRIPT OF PROCEEDINGS

Sacramento, California

Tuesday, October 15, 2024

Reported by:

CHRISTINA RODRIGUEZ  
Hearing Reporter

Job No.:  
51282OTA(A)

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15                           TRANSCRIPT OF PROCEEDINGS, taken  
16                           at 400 R Street, Suite 470, Sacramento,  
17                           California, commencing at 9:30 a.m.  
18                           and concluding at 10:46 p.m. on Tuesday,  
19                           October 15, 2024, reported by  
20                           Christina L. Rodriguez, Hearing Reporter.  
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1 APPEARANCES:

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3  
4 Administrative Law Judge: NATASHA RALSTON  
5 GREG TURNER  
6 JOSHUA LAMBERT

7 For the Appellant: MONIKA MILES  
8 JOHN HUK

9 For the Respondent: KEVIN SMITH  
10 CARY HUXSOLL  
11 JASON PARKER  
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1 I N D E X

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3 E X H I B I T S

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5 (Appellant's Exhibits 1-14 were admitted into evidence,  
6 page 7)

7 (CDTFA's Exhibits A-F were admitted into evidence,  
8 page 8)

9  
10 P R E S E N T A T I O N

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1 Sacramento, California; Tuesday, October 15, 2024

2 9:30 a.m.

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4  
5 JUDGE RALSTON: We are opening the record for  
6 the hearing of Saratoga Springs, Inc. Today's date is  
7 October 15th, 2024, and the time is approximately 9:30  
8 a.m.

9 Today's hearing is being heard by a panel of  
10 three administrative law judges. My name is Natasha  
11 Ralston, and I am the Lead Administrative Law Judge who  
12 will be conducting the hearing for this case. Also on  
13 this panel are Judge Turner and Judge Lambert. After  
14 the hearing, all three judges will confer and produce a  
15 written decision.

16 Any judge on this panel may ask questions or  
17 otherwise participate to ensure that we have all the  
18 information needed to decide this appeal. The Office of  
19 Tax Appeal is not a court but is an independent appeals  
20 body which is staffed by tax experts and is independent  
21 of any tax agency including the California Department of  
22 Tax and Fee Administration, or CDTFA.

23 Also present is our Stenographer,  
24 Ms. Rodriguez, who is reporting this hearing verbatim.  
25 To ensure we have an accurate record, we ask that

1 everyone speaks one at a time and does not speak over  
2 each other. Also, speak clearly and loudly; and when  
3 you're about to speak, please pull your microphone close  
4 and make sure it's turned on.

5 When needed, Ms. Rodriguez will stop the  
6 hearing process and ask for clarification. After the  
7 hearing, Ms. Rodriguez will produce the official hearing  
8 transcript which will be available on the Office of Tax  
9 Appeals' website.

10 And we will ask the parties to please  
11 introduce themselves and state who they represent for  
12 the record starting with the Appellant.

13 MS. MILES: I'm Monika Miles, President of  
14 Miles Consulting Group representing Saratoga Springs.

15 MR. HUK: And I'm John Huk, representing  
16 Saratoga Springs. I'm a senior tax manager at Miles  
17 Consulting.

18 MR. SMITH: I'm Kevin Smith, representing The  
19 California Department of Tax and Fee Administration.

20 MR. HUXSOLL: Carry Huxsoll from the CDTFA  
21 Legal Division.

22 MR. PARKER: Jason Parker, Chief of  
23 Headquarter's Operation Bureau of CDTFA.

24 JUDGE RALSTON: Thank you. As I mentioned  
25 earlier, this hearing is being live stream to the public

1 and is also being recorded. The transcript and the  
2 video recording are part of the public record and will  
3 be posted on with our website.

4 The prehearing conference in this matter was  
5 held on September 23rd, 2024. Appellant submitted  
6 exhibits labeled 1-14. Respondent did not have any  
7 objections to Appellant Exhibit's 1-14. Just to  
8 confirm, you still have exhibits 1-14?

9 MS. MILES: Yes.

10 JUDGE RALSTON: Okay. Respondent, you still  
11 have no objections?

12 MR. SMITH: That's correct.

13 JUDGE RALSTON: Thank you. Appellant's  
14 Exhibit 1-14 are admitted without objection.

15 (Appellant's Exhibit's 1-14 were admitted  
16 into evidence.)

17 JUDGE RALSTON: And Respondent CDTFA has  
18 submitted exhibits -- lets double check. Respondents  
19 submitted Exhibit's A-F; is that still correct? Those  
20 are your exhibits.

21 MR. SMITH: That's correct.

22 JUDGE RALSTON: Thank you. And you still have  
23 no objections to Respondent's Exhibits?

24 MS. MILES: No objection.

25 JUDGE RALSTON: Thank you. So Respondent's

1 Exhibits A-F are admitted without objection.

2 (Respondent's Exhibits A-F were admitted  
3 into evidence.)

4 JUDGE RALSTON: Neither party intends to see  
5 call any witnesses in this case. Appellant will have 45  
6 minutes to present their case. Respondent will have 15  
7 minutes to present their case. And then Appellant will  
8 have 10 minutes for rebuttal. The panel members may  
9 have questions for any party at any time.

10 Does anyone have any questions before we move  
11 on to our opening presentations? I see none --

12 MR. HUXSOLL: Actually, Ms. Ralston, I just  
13 want to know the department does not object to what was  
14 provided on Friday as it's a -- by Appellant because  
15 it's a compilation of pages previously provided  
16 exhibits, so I just want to note that for the record.

17 JUDGE RALSTON: Thank you, appreciate that.  
18 Okay. Please begin when you're ready.

19  
20 PRESENTATION

21 MS. MILES: Good morning. As stated, I'm  
22 Monika Miles, President of Miles Consulting Group  
23 representing the Taxpayer, Saratoga Springs, in today's  
24 hearing.

25 My colleague, John Huk, and I spend our time



1 with you today to show that the taxpayer clearly relied  
2 on the results of a prior audit by CDTFA, and it is  
3 reasonable that Saratoga Springs receive relief from the  
4 taxes and interest assessed in the second audit as  
5 provided by CRTC, Section 6596. We will lay out our  
6 argument follows:

7 First, a brief description of the taxpayer's  
8 business. Briefly, Saratoga Springs is a family owned  
9 wedding and event venue located in Saratoga, California,  
10 since 1975.

11 We will show that Saratoga Springs was audited  
12 by the CDTFA for two separate audit cycles -- the period  
13 from 2013 to 2016 which we will refer to, quote, as the  
14 prior audit; and, then, again, from 2018 to 2020 which  
15 we will refer to as the current audit.

16 A few points with respect to this: In the  
17 current audit by CDTFA, it was determined that the  
18 company did not charge sales tax on facility fees and  
19 other gross receipts related to the sale of food and  
20 beverages, also known as venue rentals and sales when  
21 they are in fact subject to tax.

22 The bookkeeper for the prior audit and the  
23 current audit was Ms. Debbie Hall. She has many years  
24 of experience and is still the bookkeeper for Saratoga  
25 Springs.

1           Auditors in the current audit determined the  
2 amount of taxable measures from these items to be  
3 approximately \$2 million dollars; and the total tax to  
4 be approximately \$185,000 dollars plus interest. In the  
5 first audit, the auditor, Mr. Coffman, spent over 88  
6 hours on his audit.

7           Specifically, we will prove based upon his own  
8 words in the audit working papers that he reviewed  
9 invoices as required by CDTFA audit principles in depth  
10 and on an actual basis, and he did not discover the  
11 error or make an adjustment with respect to the revenue  
12 in question.

13           We submit here that the taxability of the  
14 items at issue is not complex, the revenue at issue is  
15 clearly subject to sales tax.

16           We will show that during the current or second  
17 audit, the audit team encouraged the taxpayer to seek  
18 relief under California Section 6596 and relayed in  
19 Regulation 1705 as they, the CDTFA audit team, strongly  
20 believed the taxpayer relied on the prior audit.

21           The current CDTFA audit team felt so strongly  
22 about this that they offered to write up the request and  
23 send it up the chain.

24           We will remind this body of the requirements  
25 of Section 6596 and relative Regulation 1705 and how

1 Saratoga Springs meets all of them; including, in  
2 pertinent part, 6596 find that a taxpayer's failure to  
3 report the current amount of tax is relieved when the  
4 taxpayer reasonably relies on the CDTFA's written advice  
5 -- including from audit working papers in a prior audit.

6 Per Regulation 1705(c), written advice  
7 provided in the prior audit, the presentation of a  
8 person's books and records for examination by an auditor  
9 shall be deemed to be a written request for the audit  
10 report by the audited person and any person with shared  
11 counting and common ownership with the audited person.

12 If a prior audit report of the person  
13 requesting relief contains written evidence which  
14 demonstrates that the issue in question was examined  
15 either in an sample or sensus -- actual review, such  
16 evidence will be considered written advice from the  
17 board for purposes of this regulation.

18 A sensus or actual review as opposed to a  
19 sample review involves examination of 100 percent of the  
20 person's transactions pertaining to the issue in  
21 question.

22 For Regulation 1705, as just quoted, we will  
23 show you the prior auditor's own words within the work  
24 papers that indicated -- indicate that he reviewed  
25 records in depth and on an actually basis. And we

1 believe these words are important.

2 We will show that he spent at least six days  
3 either, quote, "Working on the sales tax accrual  
4 records;" or, quote, "working on the schedules and  
5 records," per his own permission in the working papers.  
6 What, we ask, was he working on?

7 Whether he did not understand the rules  
8 related to venue fees or simply, carelessly disregarded  
9 the documents in spite of this narrative, the fact  
10 remains that his conclusions were that certain taxable  
11 transactions were exempt, and the taxpayer relied on the  
12 prior auditor's conclusions to the taxpayer's detriment.

13 Today, we will walk you through one or two  
14 transactions within the audit working papers to prove  
15 that the auditor did review the items in question and  
16 erroneously agreed with bookkeeper's methodology --  
17 leaving her no other rational conclusion than her  
18 existing methodology was correct and should be  
19 continued.

20 (Reporter interruption.)

21 MS. MILES: Sure.

22 The purpose of this will be to illustrate the  
23 documents that were provided to the auditor, and the  
24 critical nature of the review of the sales invoices to  
25 the sales tax accrual analysis that was performed by the

1 auditor and Ms. Hall.

2 The set of pages we will be going over were  
3 provided to you on Friday and were also previously  
4 included in the provided exhibits.

5 The underlying invoices that we will show you  
6 will show that invoices are structurally the same in  
7 both audit periods and that they show clearly which line  
8 items on the invoices are subject to tax as delineated  
9 with a "Y", yes for taxable, were not subject to tax, as  
10 delineated by an "N" for no.

11 We will show that the later invoices are  
12 treated consistently as compared to the earlier  
13 invoices. Obviously, the reason we are here today at  
14 OTA is because the CDTFA appeals conference holder  
15 disagreed with the request for relief under 6596.

16 During our time today, we will rebut her  
17 arguments appeal to this body that her disallowance  
18 should be revisited as we believe it is an error.  
19 Respectfully, we understand that the requirements of  
20 6596 are a high hurdle to jump, and we are prepared to  
21 do so.

22 The statute and related regulations were  
23 written potentially to make it difficult but not  
24 impossible to invoke the relief section.

25 Throughout our discussions today, we will show

1 that the bookkeeper, Ms. Hall, reasonably relied on  
2 audit working papers and audit results of the first  
3 audit; and, therefore, did not change her methodology  
4 for taxable sales even though they were consistently an  
5 error.

6 We will address the obvious question: How can  
7 a rational person walk away from a prior audit after  
8 working through it in depth and reviewing the working  
9 papers and not assume she was doing things correctly.

10 Thank you for allowing me to lay the  
11 foundation for our presentation today. We'd like to lay  
12 out the case in more detail, per my outline, unless you  
13 have any questions.

14 (Pause.)

15 MS. MILES: As promised, we will now line out  
16 the case in a little bit more detail based on my points  
17 before.

18 A brief description of the taxpayer's  
19 business, Saratoga Springs Picnic and Campgrounds is a  
20 corporation headquartered in California since 1975.  
21 They are family owned wedding and event venue in  
22 Saratoga. Most of the company's revenue streams come  
23 from weddings and various related rentals and corporate  
24 events.

25 Their bookkeeper, Ms. Debbie Hall, has been

1 working with the company since 2016. As I mentioned, we  
2 will show that Saratoga Springs was audited by the CDTFA  
3 for those two separate periods; and, just for the  
4 record, the first period is from October 1st, 2013  
5 through September 30th, 2016, which we refer to as the  
6 prior audit.

7 And, then, again, to confirm the dates on the  
8 second audit -- January 1st, 2018 through December 31,  
9 2020, which we refer as the second audit. Again, in the  
10 current audit, it was determined that the company did  
11 not charge sales tax on facility fees and other gross  
12 receipts when they are, in fact, subject to tax.

13 The bookkeeper, Ms. Debbie Hall, worked with  
14 the auditor in the first audit, Mr. Walter Coffman, to  
15 develop the sales tax report that was used to determine  
16 the basis for the prior audit. We will show from the  
17 working papers that they both agreed to the numbers  
18 reflected.

19 Also, for the record, auditors determined the  
20 amount of taxable measures from these items to be  
21 \$2,034,452 dollars and the total tax to be \$184,681  
22 dollars; less credits of \$694 dollars, along with  
23 interest which as of December 2022 was \$43,452 dollars.

24 Saratoga Springs had recently been subject to  
25 a similar audit by the CDTFA in which case after

1 engaging with and cooperating with the prior auditor,  
2 Mr. Walter Coffman, over that time period. Taxpayer had  
3 relied on those findings in a way it taxed certain items  
4 in the prior audit; mainly venue fees and continued to  
5 treat them as nontaxable.

6 During the current audit, CDTFA auditors  
7 identified the error and have assess of the tax on the  
8 measure related to the venue fees and other taxable  
9 items.

10 In the first audit, Mr. Coffman spent over 88  
11 hours, per his time logs, on this audit. Specifically,  
12 we will prove based upon his own words in the audit  
13 working papers that he reviewed invoices as required by  
14 CDTFA auditing principles; on which the taxpayer had  
15 erroneously recorded venue rental revenue as nontaxable.  
16 And he did not make an adjustment; and he did not  
17 suggest they were doing anything wrong.

18 In the BOE-414Z, the assignment activity  
19 history, Mr. Coffman specified six days in January and  
20 February 2017, during which he either -- and, I quote,  
21 was, "working on the sales tax accrual records today,"  
22 or, was, quote, "working on the schedules and records  
23 today."

24 In a few moments, my colleague, Mr. Huk, will  
25 walk through the requirements of proper audit procedures



1 -- and that means he must have been reviewing invoices,  
2 which he also said he did.

3 In the second audit, the auditors found the  
4 errors right away. As consultants to the taxpayer,  
5 brought in to assist with the second audit, we found the  
6 errors right away. In 88 hours of reviewing Saratoga's  
7 books and errors in depth and on an actual basis, that's  
8 a hundred percent, the prior auditor did not discover  
9 the error.

10 We will also refer to our Exhibit 2, an  
11 affidavit from the bookkeeper, Ms. Hall, where she  
12 refers to Mr. Coffman asking to see a, quote, "a couple  
13 of representative invoices from our wedding and other  
14 events."

15 She printed some out and gave them to the  
16 auditor. She then said, "I remember him looking at them  
17 then handing them back to me after indicating they  
18 looked fine."

19 Again, we reference the Section 6596 and  
20 related regulations and how Saratoga meets all of them;  
21 including reliance on written advice from audit working  
22 papers and items which I have mentioned previously.

23 I'd like to highlight, again, the a sensus or  
24 actual review, as opposed to sample review, involves  
25 examination of a hundred percent of the person's

1 transactions pertaining to the issue at question.

2 For written advice contained in a prior audit  
3 of the person to apply to the person's activities or  
4 transaction in question, the facts and conditions  
5 relating to the transaction must not have changed from  
6 those which occurred during the period of operations in  
7 the prior audit -- and they did not.

8 Audit comments, schedules, and other writings  
9 prepared by the board that become part of the audit work  
10 papers which reflect that the activity or transaction in  
11 question was properly reported, and no amount was due,  
12 are sufficient for a finding for relief from liability,  
13 unless it can be shown that the person seeking relief  
14 knew such advice was erroneous.

15 Again, we will show during the -- that during  
16 the current or second audit, the audit team encouraged  
17 the taxpayer to seek relief under Section 6596, as they  
18 strongly believed the taxpayer relied on the prior  
19 audit. The audit team felt so strongly about this that  
20 they wrote up the request to send up the chain.

21 To quote from the memorandum from Veronica of  
22 San Jose Office Administrator to Susanne Buehler, the  
23 Deputy Director, on November 5th, 2021 -- which is our  
24 Exhibit 1.

25 I quote, "In this -- in the prior audit, sales

1 taxes were not collected on the wedding facility fee and  
2 other related charges; and, therefore, were not reported  
3 as taxable sales on the sales and use tax returns."

4 The prior audit verification comments stated  
5 that the prior audit -- pardon me, that the prior  
6 auditor reviewed sales invoices and original customer  
7 invoices but failed to assess tax on these charges.

8 There had not been any changes to how the  
9 taxpayer invoice the customers from the audit period to  
10 the current. A sample invoice is attached in CROS for  
11 your reference.

12 I'd like to highlight the following quote from  
13 Ms. Santanius, "Based on a misinformation found in the  
14 prior audit of Saratoga Springs Picnic, I recommend  
15 granting the taxpayer Section 6596 relief from the  
16 payment of tax, interest, and penalty added thereto on  
17 the wedding facility fee and other related charges."

18 Now, I'd like to turn the presentation over to  
19 my colleague, John Huk, who will describe for this panel  
20 the specific details of not only how an audit is  
21 performed, but also how this audit was performed.

22 I'd like to preface this discussion by saying  
23 that prior to his employment at Miles Consulting,  
24 Mr. Huk spent the majority of his career, over 30 years,  
25 at the California State Board of Equalization as both an

1 auditor; and, for 25 years, as an audit supervisor. He  
2 viewed audits every day and trained auditors on proper  
3 audit technique.

4 Mr. Huk.

5 MR. HUK: Good morning. In accordance with  
6 Regulation 1705(c), relief from liability, we will show  
7 that the tax liability assessed in the current audit was  
8 examined in the prior audit on a natural basis; and, at  
9 Saratoga Springs, relied on the comments and findings of  
10 the prior audit to it's detriment.

11 We will also show the facts and conditions in  
12 the current audit, and, in a prior audit, did not  
13 change. The prior auditor's comments, schedules, and  
14 assignment activity history support our contention that  
15 RTC 6596 relief must be granted to Saratoga Springs.

16 The support for our request is challenging  
17 because of prior auditors' verification comments are  
18 below the standard of quality that we would expect.

19 Regarding completeness and accuracy, the audit  
20 manual states, quote, "Working paper should be complete  
21 and accurate in order to provide proper support for  
22 findings, conclusions, and recommendations."

23 The test of completeness is whether a third  
24 party can review schedule, understand it's purpose, and  
25 make use of it without consulting with the auditor who

1 prepared it.

2           Regarding clarity and understandability, the  
3 audit manual states, quote, "Working papers should be  
4 clear and understandable without supplementary oral  
5 explanations. The information they reveal should be  
6 clear, complete, and concise."

7           The prior auditor failed to describe the  
8 specific invoices that he reviewed and what he learned  
9 in his review of the sales invoices. Out of comment  
10 should describe the verification procedures performed  
11 and explain what was found and why it was considered  
12 either taxable or nontaxable.

13           CDTFA's Audit Manual, Sections 0405.10 and  
14 0406.55 emphasize that a review of sales invoices is  
15 required when a sales tax accrual account analysis is  
16 used to determine audited taxable sales as was done in  
17 the prior audit. A sales tax accrual account reviewed  
18 is not supportable if a review of the sales invoices is  
19 not made by the auditor.

20           A sales tax accrual account analysis devoid of  
21 a review of sales invoices is insupportable; basically,  
22 it's garbage in results, and garbage out.

23           It's important to state that the sales invoice  
24 that were provided to the auditor for the entire audit  
25 period and the auditor wrote that his review included

1 the review of sales invoices, original customer  
2 invoices, and the sales tax collected.

3 It is not unreasonable to conclude that the  
4 prior auditor's review of the sales invoices found no  
5 issues, and, for that reason, he did not make the  
6 obvious comment that the recorded sales tax was properly  
7 charged on sales invoices.

8 The following is another example of the  
9 auditor's lack of acceptable verification comments that  
10 comes from the use tax side of the prior auditor's work  
11 papers.

12 On the worksheet labeled "paid bills", the  
13 auditor reviewed purchase invoice for \$5,144 dollars but  
14 only assess use tax on \$4,320 dollars. What happened to  
15 the difference, the \$824 dollars between the total  
16 purchase price and the measure -- taxable measure  
17 assessed.

18 The auditor included no verification comments  
19 for his review of fixed assets, which is required -- he  
20 did it with fixed asset examination nor the paid bills.  
21 And, obviously, he picked this up either in fixed assets  
22 or paid bills. How does this pass the local offices'  
23 reviewer. Why doesn't he have any comments on what  
24 happened to the \$824 dollars. It's beyond me.

25 It's incumbent on the CDTFA, not the taxpayer,

1 to expect it's auditors to adhere to writing  
2 verification comments that are complete, accurate,  
3 clear, and understandable; and, when they are not, for  
4 the local office supervisor reviewer and the audit  
5 principle, to return the audit report to the auditor to  
6 correct the working papers so that they meet the  
7 standards of completeness, accuracy, clarity, and  
8 understandability.

9 The following of verification comments that  
10 the prior auditor wrote, quote, "The current bookkeeper  
11 and auditor discussed this issue in a more complete  
12 review of the total sales and taxable sales were then  
13 begun. This review included the review of sales  
14 invoices, original customer invoices, and the sales tax  
15 collected.

16 Per review by both the taxpayer and auditor,  
17 both parties are in agreement with the sales tax  
18 differences that would be assessed in the audit on a  
19 natural basis.

20 Another quote, quote, "The taxable sales were  
21 compared to the revenue, and tax reports were used to  
22 complete the audit. The reports were generated by the  
23 new bookkeeper and were verified by the corporate  
24 officers for accuracy."

25 Another quote taxable sales area was reviewed

1 in depth. Quote, "The current bookkeeper needed to  
2 recreate the sales and sales tax reports. The audit was  
3 based on these new reports and verified by both the  
4 corporate officers and the auditor."

5 The differences between recorded and reported  
6 sales tax was assessed in the audit on an actual basis.  
7 In spite of the poor quality of the prior auditors  
8 comments, we know the following:

9 We know that the prior auditor looked at  
10 taxable sales in depth. We know that the prior auditor  
11 wrote he assessed sales tax in the audit on an actual  
12 basis. We know that the prior auditor used the sales  
13 tax reports created by Debbie Hall, the bookkeeper, to  
14 calculate audited taxable sales.

15 We know that the prior audit was based on the  
16 sales tax accrual reports created by the bookkeeper that  
17 the auditor verified them and the auditor reviewed both  
18 sales invoices and sales tax collected.

19 We know that the current bookkeeper and  
20 auditor discussed the sales tax accrual analysis and  
21 that a more complete review of sales tax was conducted.  
22 We know this because this is what the prior auditor  
23 wrote in his verification comments.

24 Saratoga Springs learned two things from the  
25 prior audit: One, that the amount of tax collected from



1 customers must be reported to the CDTFA. They need to  
2 carefully review their sales tax accrual account and  
3 report the tax collected;

4 Two, the amount of tax they charged the  
5 customers for the sales and services they make was  
6 accepted as correct by the auditor. If it wasn't, they  
7 would have surely heard about it.

8 The bookkeeper's understanding from the prior  
9 audit was that the so called recorded tax of Schedule 12  
10 A2 was the correct amount of tax; in other words, the  
11 total recorded sales tax on Schedule 12 A2 was the  
12 audited sales tax. This understanding was reasonable  
13 because the bookkeeper worked closely with the prior  
14 auditor.

15 The bookkeeper, Debbie Hall, provided the  
16 prior auditor with the sales tax accrual account  
17 transactions for the entire audit period. Every single  
18 invoice that included any amount of the sales tax was  
19 listed line by line for the entire audit period in the  
20 sales tax reports.

21 The sales tax on the sales tax accrual report  
22 listed the date of the invoice, the customer's name, and  
23 the amount of the sales tax collected from the customer.  
24 The auditor was provided with every customer invoice for  
25 the audit period -- he wrote that.

1           The auditor wrote in his verification comments  
2 that, quote: "Taxable sales were compared to the  
3 revenue and tax reports were used to complete the audit.  
4 The reports were generated by the new bookkeeper and  
5 verified by the corporate officers for accuracy."

6           The prior auditor did not even provide  
7 Saratoga Springs, the bookkeeper -- their bookkeeper --  
8 with the most relevant publication for a business  
9 selling food and beverages -- the dining and beverage  
10 industry publication.

11           On the 414E, page two, the auditor provided  
12 publications 17, appeals procedure; 70, the taxpayer's  
13 rights; and 76, audits but not the dining and beverage  
14 industry publication.

15           If the prior auditor had provided the dining  
16 and beverage publication, perhaps Debbie Hall, Saratoga  
17 Springs bookkeeper, would have discovered on her own  
18 that wedding cake cutting is taxable. Serving of food  
19 and beverages is taxable. Corporate fees are taxable.  
20 Dance floors are not taxable, and facility fees are  
21 taxable.

22           Unfortunately, the prior auditor failed to  
23 provide the publication so that the taxpayer's  
24 bookkeeper might properly learn on her own what is and  
25 isn't taxable for Saratoga Springs. We know she didn't

1 learn it from the prior auditor.

2 The bottom line is that the amount on the  
3 sales tax accrual account, which were prepared by the  
4 bookkeeper and reviewed on an actual basis by the  
5 auditor, were deemed to be the audited sales tax due for  
6 the audit period; less, the previously reported tax to  
7 the CDTFA.

8 The appeals conference holder, Ms. Denise  
9 Riley, wrote in her decision, quote: "The prior auditor  
10 in this case did not examine insufficient detail  
11 petitioner's transactions in such a way that he could of  
12 discovered the fact that petitioner was incorrectly  
13 claiming taxable charges and fees as nontaxable.

14 Instead, as indicated above in her decision,  
15 in the prior audit, the department decided to compute  
16 petitioner's audited taxable sales by preparing  
17 petitioner's sales tax accrual accounts with reporting  
18 tax." Quote closed.

19 The appeals conference holder's conclusion is  
20 misplaced perhaps she did not understand that the sales  
21 tax accrual report includes a detailed listing of every  
22 tax invoice and that both the sales invoices and  
23 collected sales tax were reviewed by the auditor.

24 It is a simple step to trace a sales invoice  
25 and the sales tax charge on the invoice to the sales tax

1 accrual account. In fact, it is not only a simple step,  
2 as noted earlier, it is an essential step to a properly  
3 conduct a sales tax accrual analysis.

4 Ms. Riley mistakenly wrote in her decision,  
5 quote: "Accordingly, we find that where, as here, the  
6 department uses a methodology to determine audited  
7 taxable sales that would not have uncovered the errors  
8 at issue. Such methodology does not demonstrate that  
9 the issue in question was examined." Quote close.

10 Ms. Riley's conclusion is entirely false as  
11 previously explained. Ms. Riley also states, quote:  
12 "There is no written evidence that the department  
13 examined nontaxable sales in the prior audit." Quote  
14 closed.

15 Once again, Ms. Riley's comment exposes her  
16 lack of understanding of how a sales tax accrual  
17 analysis done, and what type of sales transactions were  
18 on Saratoga Springs sales invoices.

19 The first step in a sales tax accrual is to  
20 review sales invoices to ensure that the tax is properly  
21 charged and that all revenue that is taxable is taxed.  
22 The nontaxable sales are readably found on Saratoga  
23 Springs sales invoices.

24 Taxable facility fees, which were traded as  
25 nontaxable, were on the first line of every wedding

1 invoice. All revenue that was not taxed on the invoices  
2 was noted with a quote, unquote, "little N" for  
3 nontaxable.

4 Many of these quote, unquote, "nontaxable  
5 items" were not taxed in error. Then, the auditor must  
6 total the taxable sales, apply the sales tax rate, and  
7 verify that the sales tax on the invoice matches the  
8 sales tax that was recorded in the sales tax accrual  
9 account.

10 The bookkeeper's sales tax report -- pardon  
11 me, yeah -- the bookkeeper's sales tax report, if not,  
12 all nine items on the sales invoices are taxed, then the  
13 auditor either accepts or denies that non-taxed amounts  
14 are correct.

15 The takeaway for the bookkeeper is that her  
16 method of charging sales tax to customers was blessed by  
17 the auditor. So she continued too improperly exempt  
18 taxable transactions into the current audit period that  
19 should have been assessed by the prior auditor. We know  
20 that this is true -- we know that this is true based on  
21 our cursory review of 25 invoices from the prior audit.

22 Saratoga Springs was improperly not taxing  
23 transactions that were assessed in the current audit.  
24 Our test of 25 invoices is a reasonable test in light of  
25 the prior auditors written comments -- that he reviewed

1 taxable sales in depth and that he assess sales tax on  
2 an actual basis.

3           If he had, in fact, done a census, then he  
4 would have uncovered the errors on the 25 transactions  
5 that we reviewed. A census in Regulation 1705(c) is  
6 defined as, quote: "A census --" in parenthesis,  
7 "actual review as opposed to a sample review involves  
8 examination of 100% of the person's transactions  
9 pertaining to the issues in question." Quote closed.

10           It is clear that Saratoga Springs continued to  
11 charge tax incorrectly because the prior auditor  
12 accepted as Saratoga was taxing its customers. We also  
13 know that it would have been unreasonable for Saratoga  
14 Springs to change how it was charging tax to customers  
15 in light of what the findings were in the prior audit.

16           The prior auditor's report and findings did  
17 not provide Saratoga Springs with any reason to change  
18 how they were taxing principal with any reason to change  
19 how they were charging tax to its customers.

20           Finally, the auditor states on his 414(c), the  
21 assignment activity history, that, as Monika mentioned  
22 earlier, on six separate days, he was either working on  
23 the sales and used tax accrual account records today or  
24 working on the schedules and records today.

25           Those dates were: January 19th, 2017;

1 February 9, 2017; February 10, 2017; February 15, 2017;  
2 February 16, 2017; and February 22nd, 2017.

3 We point this out because the appeals  
4 conference holder cites the CDTFA's position with  
5 respect to the review of the sales invoices, quote:

6 "That department contends based on it's review  
7 of the prior audit work papers that petitioner does not  
8 qualify for relief under RTC Section 6596 because the  
9 prior audit work papers do not describe the transactions  
10 at issue herein. The department argues that although  
11 the fees and charges at issue, herein, were not assessed  
12 in the prior audit.

13 The prior audit work papers and comments did  
14 not demonstrate that such fees and charges were examined  
15 and considered exempt. Rather, the department asserts  
16 that the transactions were overlooked and not directly  
17 assessed in the prior audit -- as opposed to being  
18 allowed as exempt." Quote closed.

19 We ask, what was the auditor doing for six  
20 days if the only thing that he did was to take from the  
21 bookkeeper's sales tax report, the quarterly sum sales  
22 tax amounts, and place them in column B of Schedule 12  
23 A2 and then take from the tax differences between  
24 reported and recorded on Schedule 12 A2 and build the  
25 schedules on 12 A1 and Schedule 12 A.

1           These procedures might take a few hours if the  
2 auditor footed the amounts from the sales tax report  
3 which was an excel workbook then it might take another  
4 hour to verify of that the tax amounts in the credit  
5 column of the sales tax report were properly footed.  
6 Lets say, four total hours.

7           The auditor spent 88 hours on the audit and  
8 for six days -- so about 30 to 40 hours he stated that  
9 he was working on the sales tax accrual records and  
10 schedules. There was ample time for the auditor to do  
11 the necessary audit procedures for a sales tax accrual  
12 analysis in effect to verify that the tax collected on  
13 the sales invoices were correct for the audit period.

14           Is it reasonable to surmise, as the CDTFA did,  
15 that for six days the prior auditor, a senior tax  
16 auditor, overlooked and did not directly address sales  
17 invoices.

18           In other words, he effectively did nothing; or  
19 is it more fair to conclude that the auditor did what he  
20 wrote -- he reviewed sales invoices and sales tax  
21 collected. He just did a poor job of explaining the  
22 extent of his review and his conclusions, much like the  
23 transaction concerning the used tax.

24           So I'm just going to quickly take you through  
25 the documents that we provided on Friday, which



1 Mr. Huxsoll confirmed were acceptable to the CDTFA. So,  
2 you know, page one of that is simply the 141M, the  
3 transcript of the returns.

4 The next few pages -- two, three, four, and  
5 five -- are an exert from the sales tax reports. So for  
6 all quarters of the prior audit, this is what the sales  
7 tax report looked like.

8 And you can see by looking at page two that  
9 there are line-by-line descriptions of who the customer  
10 was, what the date was, and how much tax; and if you  
11 total up the credit column, which is highlighted in two,  
12 three, four, and five, you'll get to the last page -- on  
13 page five.

14 The 163,844, which is what the auditor  
15 described as the total sales tax reported, but,  
16 essentially, it's audited. Usually, an auditor would  
17 describe that as audited sales tax, but that's where he  
18 got it from so that's what he called it.

19 We asked the bookkeeper to hazardly (sic)  
20 choose 25 invoices over the audit -- the prior audit  
21 period, and, so, she did. And we provided just -- I  
22 mean, they are part of the record, but we provided just  
23 for the hearing today -- a few of the invoices.

24 If we cut right to the invoice, that kind of  
25 covers all the transactions that were scheduled and

1 assessed in the current audit. If we go to the KD and  
2 David's wedding, we can see that \$1,155.37 was the  
3 amount of tax collected on that invoice.

4 And if you go to page three, you'll see  
5 highlighted in pink, \$1,155.37 cents. So the --

6 JUDGE RALSTON: I'm sorry, Mr. Huk. Which  
7 exhibit is this again?

8 MR. HUK: Oh, this is the one that was sent on  
9 Friday.

10 JUDGE RALSTON: Oh, okay.

11 MR. HUK: Yeah.

12 JUDGE RALSTON: What --

13 MR. HUK: Oh, I'm sorry.

14 JUDGE RALSTON: What number?

15 MR. HUK: Yeah. So page 15 -- page 15 is  
16 Katie and David's wedding.

17 JUDGE RALSTON: Alright. Thank you.

18 MR. HUK: Yeah. And, so, there's \$16,425.28  
19 cents was the amount charged to the customer. And then  
20 the tax was \$1,155.37 cents. If you multiply the tax  
21 rate 8.75 times \$16,425.28 cents, you will not get  
22 \$1,155.37 cents because not everything was taxed.

23 If you look at the column "taxable", you'll  
24 see that the very first transaction is a facility fee,  
25 and there's a little N there -- it wasn't taxed. They

1 also didn't tax on the cake cutting, didn't charge tax  
2 on the corkage fee, and didn't charge tax on the  
3 bartender.

4 And then when you go to page three of the  
5 package from Friday, this is the sales tax transactions  
6 report. You'll see the 1,155.37 cents. You would  
7 expect the auditor would look at invoices -- some amount  
8 of invoices -- and tell us which ones the auditor looked  
9 at and then trace to the sales tax accrual account the  
10 amount of tax.

11 And, so, that's clearly an issue, and that's  
12 why we're saying goshy (sic), it's been six days, what  
13 did he do. All he had to do was go to the amount of  
14 sales tax on the last page of the sales tax report for  
15 third quarter and post that to column B of 12 A2, and  
16 you've got the audit. I'm sure he did more than that.  
17 He's just not good at writing comments, frankly.

18 And, so, then pages 16, 17 are -- we've  
19 highlighted much of what was said by both Monika and  
20 myself in the comments. And then you see on page 18,  
21 we've highlighted the -- all but February 22nd, where  
22 the auditor writes that he's working on the sales tax  
23 accrual records today; he's working on the schedules and  
24 records today.

25 There's nothing else to this audit. There's

1 \$300 dollars in used tax for the one item that he didn't  
2 say anything about. And then there's this, the sales  
3 tax -- so 88 hours. And then page 20 and 21 and 22 are  
4 the citations that we mentioned regarding what the audit  
5 manual chapter 4 says regarding tax accruals and the  
6 review of invoices.

7 And then the last three pages are the  
8 transactions that should have been assessed in the prior  
9 audit but were quickly, as Monika stated, found by the  
10 current auditor.

11 Monika.

12 MS. MILES: I think -- just one more thing I'd  
13 just like to highlight, just to emphasize. As you look  
14 at the invoices -- so pages 13, 14, and 15 -- there are,  
15 again, both taxable and nontaxable items identified.

16 So if the auditor had reviewed invoices, which  
17 he said he did, we're showing that he reviewed both  
18 taxable and nontaxable items, which the ACH indicated  
19 that he did not. And, he clearly did, these invoices  
20 have --

21 JUDGE RALSTON: Ms. Miles, could you please  
22 use your microphone. Thank you.

23 MS. MILES: I'm sorry.

24 JUDGE RALSTON: No problem.

25 MS. MILES: Again, I state that these invoices

1 show both taxable and nontaxable parts of transactions.  
2 And one of the arguments from the ACH was that he only  
3 reviewed nontaxable items or did not review nontaxable  
4 items, but, clearly, these invoices show -- and these  
5 are representative -- that there are always taxable and  
6 nontaxable items on the invoices.

7 So I just wanted to highlight that for you.  
8 And I believe that's all we have at this point before we  
9 make our closing remarks.

10 JUDGE RALSTON: Okay. Thank you. I just had  
11 a quick question: So on the invoices, they have -- the  
12 little N was nontaxable, the Y was taxable, and there's  
13 some within -- oh, okay. The upper case N, was that  
14 supposed to be lowercase N? Or just --

15 MR. HUK: Yeah. Probably. If it's an N, it's  
16 nontaxable. Yeah.

17 JUDGE RALSTON: Okay. Thank you.

18 MR. HUK: Yeah.

19 MS. MILES: And, again, these are that's  
20 reported by the taxpayer. These are her demarcations.  
21 The big N, or the little N --

22 MR. HUK: Well, that's what's on the invoice  
23 to the customer.

24 JUDGE TURNER: That's right. That's the  
25 question I had. That's the actual invoice --

1 MR. HUK: That is the actual invoice and  
2 doesn't --

3 JUDGE TURNER: -- with the N and a Y in it?

4 MR. HUK: That's correct. Yeah.

5 JUDGE TURNER: So if the auditor examined it,  
6 that's what they would see as well?

7 MR. HUK: Right. And if a customer wanted to  
8 make sure what was taxed, then the customer can add up  
9 the Y's that have a dollar amount and multiply times the  
10 tax rate. The tax rate is always 8.75 percent because  
11 of the venue. Everything in Saratoga Springs is a 8.75  
12 percent.

13 JUDGE RALSTON: Okay. Thank you.

14 MR. HUK: And, I apologize, I didn't turn my  
15 mic on either.

16 JUDGE RALSTON: Were you able to catch  
17 everything even though the mics were off?

18 THE HEARING REPORTER: Yes. Thank you.

19 JUDGE RALSTON: Okay. Thank you.

20 Judge Turner, did you have any other  
21 questions?

22 JUDGE TURNER: No. Thank you.

23 JUDGE RALSTON: Okay.

24 And, Judge Lambert, did you have any  
25 questions?

1 JUDGE LAMBERT: No questions. Thanks.

2 THE HEARING REPORTER: Can I have a second to  
3 start a new file? Just one second.

4 JUDGE RALSTON: Yeah, sure.

5 Actually, lets take a five minute break. And  
6 if you are CDTFA or for the Appellant, you might want to  
7 turn the mics off because the live stream is still on  
8 going. Thank you.

9 (Break.)

10 JUDGE RALSTON: We are back on the record in  
11 the appeal of Saratoga Springs. Is everyone ready to  
12 move forward. Okay. Thank you.

13 And, Mr. Smith, you can begin when you're  
14 ready.

15 MR. SMITH: Thank you.

16 Good morning. At issue today is whether  
17 appellant is entitled to relief under Section 6596 based  
18 on prior auditor advice.

19 Appellant is a California corporation that  
20 operates a picnic facility and event venue in Saratoga,  
21 California. As relevant, here, it also rents its  
22 facilities for weddings and other large events, offers  
23 catering, and other services.

24 Upon review of the books and records, the  
25 department found that appellant reported a total gross

1 sales of approximately \$15 million dollars and claimed  
2 deductions totaling approximately \$6 million dollars.

3 After further review, the department  
4 determined improperly claimed as nontaxable, charges the  
5 fees for wedding rentals, and wedding facilities and  
6 other miscellaneous wedding charges. The department  
7 disallowed these claim nontaxable charges for the  
8 liability period which totaled approximately \$2 million  
9 dollars.

10 Appellant contends that he reasonably relied  
11 on erroneous written advice given by the department  
12 during the prior audit.

13 Under Revenue and Taxation Code, Section 6596,  
14 the department finds that a person's failure to make a  
15 timely return on payment was due to the person's  
16 reasonable reliance on written advice, the person may be  
17 relieved for the taxes apposed of any penalty or  
18 interest.

19 In the previous audit of the person requesting  
20 relief contains evidence demonstrating that the issue in  
21 question was examined. Either on a sample or actual  
22 basis, such evidence would be considered written advice  
23 from the department.

24 Audit comments, schedules, and other writings  
25 prepared by the department that become part of the audit



1 work papers was reflected that the activity transaction  
2 in question was properly reported and no amount was due  
3 or sufficient to greater relief of liability. Unless it  
4 can be shown that the person seeking relief knew such  
5 advice was erroneous.

6 With respect to the prior audit, the records  
7 does not show that the department examined reported  
8 nontaxable sales, as well as the invoices, and found no  
9 errors.

10 Instead, the department of prior audit  
11 performed the audit by comparing it to sales tax accrual  
12 accounts with reported tax to compute the audit  
13 liability.

14 The tax was returned on a sales tax  
15 reconciliation error. There's no evidence that the  
16 prior auditor examined nontaxable sales in relation to  
17 wedding charges. Unless appellant was incorrect in  
18 claiming that the department's failure to identify  
19 incorrectly claim nontaxable sales resulted liability  
20 here.

21 Further, appellant's argument that the  
22 department should have known that appellant was  
23 incorrectly reporting tax during the prior audit periods  
24 because the appellant provided thorough records for  
25 examination for the prior audit, as well as invoices, is

1 incorrect.

2 The appellant is essentially arguing that the  
3 department's failure to alert appellant errors means the  
4 department provided erroneous advice to appellant of the  
5 taxability of certain transactions -- this is not the  
6 standard.

7 The law authorizes relief from tax based on  
8 prior audit report only when the appellant establishes  
9 that the audit report contains original evidence  
10 demonstrated that the issue in question was examined.

11 Thus, even if the department had access to  
12 records that could have uncovered such errors, the  
13 absence of evidence that the department actually  
14 examined the issue. The department cannot be said that  
15 examined issue nor provided any written advice.

16 As discussed in the precedential opinion in  
17 the appeal of Praveen, the law only authorizes relief  
18 from tax based on a prior audit report when a taxpayer  
19 establishes that the audit report contains written  
20 evidence demonstrated that the issue in question was  
21 examined.

22 No relief is available based on neither report  
23 that should have caught error but did not. For these  
24 reasons, no relief could be provided under Section 6596.

25 And this concludes my presentation. Thank

1 you.

2 JUDGE RALSTON: Thank you.

3 Judge Turner, did you have any questions for  
4 CDTFA?

5 JUDGE TURNER: I do not.

6 JUDGE RALSTON: Thank you.

7 Judge Lambert, did you have any questions for  
8 CDTFA.

9 JUDGE LAMBERT: No questions. Thanks.

10 JUDGE RALSTON: Thank you.

11 So you have 10 minutes for your rebuttal.

12 Thank you.

13

14 CLOSING STATEMENT

15 MS. MILES: Thank you.

16 Thank you to the panel for hearing our case  
17 today. I know that we've asked you to hear a lot of  
18 detail today about audit procedures, documentation,  
19 reliance by a reasonable person, and many other details.

20 I'd like to close by asking the panel to take  
21 away the following main points from our detailed  
22 presentation. The legislator drafted the protection of  
23 6596 specifically to protect taxpayers from exactly such  
24 a case -- where the CDTFA is an error.

25 The taxpayer relied on that erroneous advice

1 to their detriment, and there is a subsequent assessment  
2 based on such error. We know that Section 65 relief is  
3 hard to come by and many hurdles must be jumped to  
4 successfully claim such relief.

5 We believe the facts we presented shows that  
6 those requirements were met. There's no smoking gun in  
7 this case. There's not a specific line item that says  
8 we gave you this advice, but we have shown that clearly  
9 the auditor reviewed these invoices.

10 We have shown that the auditor in the first  
11 audit said that he spent time reviewing in depth and on  
12 an actual basis that's 100 percent of the documents for  
13 over 88 hours. This provides proof that he did sample,  
14 he reviewed on a sensus basis, he reviewed everything.  
15 And those words in the working papers matter.

16 He made no adjustments to the erroneously  
17 characterized venue fees after reviewing them for six  
18 days. There were only 1,150 sales invoices for the  
19 entire first audit period upon which sales tax is  
20 charged. 88 hours is ample time to review such  
21 invoices.

22 He did not recommend any changes nor share  
23 common publications with respect to these items. He  
24 left the bookkeeper, Ms. Hall, with the reasonable  
25 conclusion that what she was doing was correct, and she

1 continued to do to the company's detriment on the second  
2 audit.

3 We also bring our surprise that CDTFA could  
4 have called the auditors as a witness in this  
5 proceeding, but they did not. Why? We presumed it had  
6 to be because he would have had to say that he did  
7 review the invoices which included the incorrect tax  
8 classification.

9 We have walked this panel through an in-depth  
10 flow of a typical wedding transaction from invoice  
11 through the books and records and to the audit work  
12 papers to include the primary piece of evidence required  
13 to the audited -- the invoice.

14 We flow the invoice to the company's sales tax  
15 accrual account. We showed that the auditor reviewed  
16 both the invoices and the accrual schedule and accepted  
17 them per his notes in the working papers. We show that  
18 in his sales tax reconciliation work paper, he reported  
19 that he and the bookkeeper agreed to the data.

20 We have met all the requirements under 6596,  
21 and the related regulation. There was written advice in  
22 the working papers that state that the auditor reviewed  
23 invoices in depth and on an actual basis and agreed with  
24 the bookkeeper's schedules. The company bookkeeper  
25 relied on such advice. How could she not.

1           The company's books and records are maintained  
2 in the same manner in those audit periods. We believe  
3 we've rebutted the arguments of the appeals conference  
4 holder and shown that if audit procedures were adhere  
5 to, and how could they not be over an 88 hour audit, the  
6 auditor must have reviewed the area in question and  
7 either accepted it an error or ignore it.

8           Either way, he made no change, and the  
9 taxpayer relied upon it. That was reasonable. Why  
10 would a taxpayer question the audit results and begin to  
11 change procedure that they already believed to be  
12 correct unless they were told to.

13           The ACH, the appeals conference holder,  
14 indicated the major reason she disallowed relief was the  
15 prior audit work papers and comments do not demonstrate  
16 that such fees and charges were examined in detail and  
17 considered exempt, and we absolutely disagree.

18           We remind you that Mr. Coffman spent at least  
19 six days reviewing schedules and records. He also  
20 indicated he reviewed invoices on an actual basis. Both  
21 taxable and nontaxable transactions were reflected on  
22 the invoices as previously stated.

23           His work papers and comments absolutely  
24 demonstrate that both taxable and nontaxable items,  
25 those marked by taxpayer with a Y or an N on the

1 invoices, were reviewed. It's not reasonable for him to  
2 be looking at anything else for six days.

3 We respectfully submit that 6596 was meant to  
4 protect taxpayers from exactly such a case.  
5 Fortunately, California's Legislature felt strongly that  
6 the relief section should be in the tax code and that it  
7 applies to both request for written advice and audit  
8 working papers.

9 The standard for Section 6596 relief is very  
10 high and difficult to prove when an auditor fails to  
11 explain the scope of work and its findings. It's  
12 difficult to determine what happened years later and  
13 when the auditor is not before us to ask.

14 However, we have proven that the evidence in  
15 the prior audit is more than sufficient to sustain  
16 written evidence in a form of comments and conclusions  
17 that the taxpayer relied on to its detriment in later  
18 years. We believe it does not stand to reason that the  
19 bookkeeper in this case would have:

20 One, worked for the prior audit; two, worked  
21 with the auditor -- discuss with him that there were no  
22 adjustments to the invoices reviewed; three, received no  
23 assessment on these matters; four, review the  
24 corresponding working papers and then change course.

25 She did not change course because she relied

1 on the audit and the audit working papers because it was  
2 reasonable for her to do so. If this fact pattern does  
3 not rise to the level of 6596 relief, we ask, what does?  
4 And, therefore, this taxpayer must prevail.

5 We, again, summarize that the taxpayer must  
6 receive relief because it is clear that they relied on  
7 prior audit advice that was erroneous presented by a  
8 veteran auditor of the CDTFA.

9 In the private sector, if I provided this  
10 erroneous advice to my clients -- costing them hundreds  
11 of thousands of dollars -- it would likely be deemed  
12 malpractice. In the public sector, it's an egregious  
13 error perpetrated upon this taxpayer who deserves the  
14 relief that Section 6596 provides.

15 Thank you again for listening to our  
16 arguments.

17 JUDGE RALSTON: Thank you. Check with me  
18 co-panelist.

19 Judge Turner, did you have any questions.

20 JUDGE TURNER: No additional questions. Thank  
21 you.

22 JUDGE RALSTON: And Judge Lambert.

23 JUDGE LAMBERT: No. No questions. Thanks.

24 JUDGE RALSTON: Okay. So I don't have any  
25 further questions. Thank you everyone.



1           Today's hearing and the appeal of Saratoga  
2 Springs, Incorporated is now adjourned. And the record  
3 is closed.

4                           (The hearing concluded at 10:46 a.m.)  
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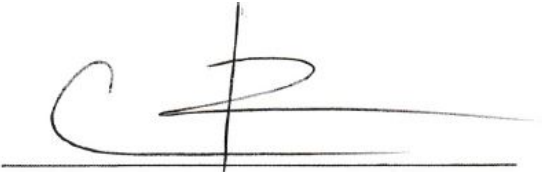
1 HEARING REPORTER'S CERTIFICATE

2  
3 I, Christina L. Rodriguez, Hearing Reporter in  
4 and for the State of California, do hereby certify:

5 That the foregoing transcript of proceedings  
6 was taken before me at the time and place set forth,  
7 that the testimony and proceedings were reported  
8 stenographically by me and later transcribed by  
9 computer-aided transcription under my direction and  
10 supervision, that the foregoing is a true record of the  
11 testimony and proceedings taken at that time.

12 I further certify that I am in no way  
13 interested in the outcome of said action.

14 I have hereunto subscribed my name this 4th  
15 day of November, 2024.

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23 Hearing Reporter

24 CHRISTINA RODRIGUEZ

<hr/> <b>\$</b> <hr/>	<b>14</b> 36:14	<hr/> <b>3</b> <hr/>	<hr/> <b>8</b> <hr/>
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