

OFFICE OF TAX APPEALS
STATE OF CALIFORNIA

In the Matter of the Appeal of:	)	OTA Case No. 240516129
SHORELINE ASSET GROUP, LLC	)	
	)	
	)	
	)	
	)	

OPINION

Representing the Parties:

For Appellant: Angel Zhen, CPA

For Respondent: Nancy E. Parker, Attorney

T. STANLEY, Administrative Law Judge: Pursuant to Revenue and Taxation Code (R&TC) section 19324, Shoreline Asset Group, LLC (appellant) appeals an action by respondent Franchise Tax Board (FTB) denying appellant's claim for refund of \$1,179 plus applicable interest for the 2022 taxable year.

Appellant waived the right to an oral hearing; therefore, the matter was submitted to the Office of Tax Appeals (OTA) on the written record pursuant to California Code of Regulations, title 18, section 30209(a).

ISSUE

Has appellant established a basis to abate the 10 percent penalty for underpayment of estimated LLC fee (estimated fee penalty)?

FACTUAL FINDINGS

1. Appellant filed a timely 2022 Limited Liability Company (LLC) Return of Income on March 22, 2023, reporting total tax of \$800 and a fee of \$6,000.
2. Appellant paid the \$800 tax on April 14, 2022, and paid estimated taxes of \$6,000 toward its 2022 fee liability on September 12, 2022. Appellant's 2021 fee was \$6,000.
3. Based on appellant's reported income, FTB increased the fee owed by the LLC to \$11,790.

4. After FTB notified appellant of the increase and that an estimated fee penalty of \$1,179 was added to appellant's tax and fee due, appellant paid \$7,065.15 on February 9, 2024, satisfying its balance and filed a claim for refund with FTB.
5. FTB denied appellant's claim for refund, and this timely appeal followed.

DISCUSSION

R&TC section 17942 imposes an LLC fee based on total California source income of an LLC that is doing business in California. If an LLC's total California source income is \$5,000,000 or more, the fee is \$11,790. (R&TC, § 17942(a)(4).) An LLC is required to estimate and pay the fee on or before the 15th day of the sixth month of the current taxable year; for appellant, the fee for the 2022 taxable year was due by June 15, 2022. (R&TC, § 17942(d)(1).) A penalty of 10 percent of the amount of any underpayment must be added to the fee. (R&TC, § 17942(d)(2).) R&TC section 17942(d)(2) provides a safe harbor provision for LLCs if the amount paid by the date prescribed in R&TC section 17942(d)(1) is equal to or greater than the total amount of the fee for the preceding taxable year.

Appellant does not dispute that it underpaid its fee of \$11,790. Instead, appellant asserts that it was the first year it reached the income threshold requiring it to pay \$11,790 instead of \$6,000.¹ Appellant contends that paying \$6,000, which was the amount of the fee for the preceding taxable year, places appellant within the safe harbor provision in R&TC section 17942(d)(2). Appellant, however, paid the estimated fee of \$6,000 late on September 12, 2022, not by "the date prescribed" under R&TC section 17942(d)(1). Had appellant paid by June 15, 2022, the payment would have placed appellant within the safe harbor. Because the payment was not made by the due date, appellant is subject to the estimated fee penalty.

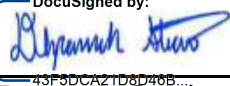
¹ OTA's records show that appellant paid the higher fee in taxable years 2016, 2017, 2019, and 2020.

HOLDING

Appellant has not established a basis to abate the estimated fee penalty.

DISPOSITION

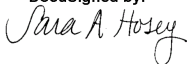
OTA sustains FTB's action denying appellant's claim for refund.

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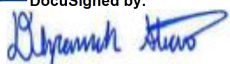
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Teresa A. Stanley
Administrative Law Judge

For

We concur:

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Sara A. Hosey
Administrative Law Judge

DocuSigned by:


43F3DCA21D8D46B...
Steven Kim
Administrative Law Judge

For

Date Issued: 7/30/2025