



3. Appellants paid the balance due and filed a claim for refund.
4. Respondent denied the claim for refund.
5. In this timely appeal, appellants contest the late filing penalty but concede applicable interest.

### DISCUSSION

R&TC section 19131 provides that a late filing penalty shall be imposed when a taxpayer fails to file a tax return on or before its due date, unless the taxpayer establishes that the late filing was due to reasonable cause and not willful neglect. (R&TC, § 19131(a).) Penalties imposed by respondent are presumed to be correct, and the taxpayer has the burden to prove reasonable cause exists to support abatement of the penalty. (*Appeal of Xie*, 2018-OTA-076P.)

To establish reasonable cause, a taxpayer must show that the failure to file a timely return occurred despite the exercise of ordinary business care and prudence, or that cause existed as would prompt an ordinarily intelligent and prudent businessperson to have so acted under similar circumstances. (*Appeal of GEF Operating, Inc.*, 2020-OTA-057P.) Even if a taxpayer is unaware of a filing requirement, ignorance of the law is not an excuse for failing to file a timely return. (*Ibid.*) Taxpayers who fail to acquaint themselves with the requirements of California tax law have not exercised ordinary business care and prudence. (*Appeal of Summit Hosting LLC*, 2021-OTA-216P.)

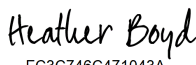
Here, appellants do not dispute the imposition or computation of the late filing penalty. Appellants explain that they have been residents of Hawaii for many decades and, during that time, have timely filed state and federal returns for all sources of income according to the tax laws in Hawaii. Appellants contend that it is unreasonable to expect them to be familiar with California tax laws simply because they sold their interest in inherited real property in California. However, ignorance of the law is not an excuse for failing to file a timely return, and a taxpayer's uninformed and unsupported belief that it is not required to file a tax return, no matter how sincere that belief may be, is insufficient to constitute reasonable cause for a failure to timely file. (*Appeal of GEF Operating, Inc.*, *supra*; *Appeal of Morris and Forbes* (67-SBE-042) 1967 WL 1384.) Although appellants are nonresidents of California, appellants did not exercise ordinary business care and prudence by failing to investigate whether the sale of a real property interest in California would incur a return filing requirement. Thus, appellants have not established reasonable cause to abate the late filing penalty.

HOLDING

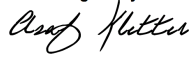
Appellants have not established a basis to abate the late filing penalty.

DISPOSITION

Respondent's action denying appellants' claim for refund is sustained.

Signed by:  
  
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Heather Boyd  
Administrative Law Judge

We concur:

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Asaf Kletter  
Administrative Law Judge

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Erica Parker  
Hearing Officer

Date Issued: 10/15/2025