



STATE OF CALIFORNIA

STATE BOARD OF EQUALIZATION

SAN JOSE DISTRICT OFFICE  
250 SOUTH SECOND STREET  
SAN JOSE, CA 95113-2706  
408-938-7743 • FAX 408-277-1252  
www.boe.ca.gov

BETTY T. YEE  
First District, San Francisco

SEN. GEORGE RUNNER (RET.)  
Second District, Lancaster

MICHELLE STEEL  
Third District, Orange County

JEROME E. HORTON  
Fourth District, Los Angeles

JOHN CHIANG  
State Controller

CYNTHIA BRIDGES  
Executive Director

March 10, 2014

City of San Jose  
200 E Santa Clara St Tower 4<sup>th</sup> Floor  
San Jose, CA 95113

In Reply Refer To:  
SR GH 26-300129  
Audit Case Number: 606888

Dear Taxpayer:

We are enclosing a copy of the *Report of Field Audit* resulting from our audit of your firm's records and accounts for the permit number referenced above. In a recent discussion, you indicated that you agree with our audit recommendations. If you do not understand any portion of the audit findings, you may contact this office for clarification. If you have not received a copy of the audit working papers, including narrative comments, you may request one from this office.

We are forwarding the audit report to our headquarters office for processing and issuance of a *Notice of Determination* (billing). If this process results in a material change to the report you will be informed prior to billing. When you receive the *Notice*, you can appeal by filing a *Petition for Redetermination*, if you believe there is an error in the audit report. The *Notice* includes instructions on how to file a petition.

Interest will continue to accrue monthly on the amount of unpaid tax, and will be added to the current interest amount shown on the *Notice of Determination* "interest through" calculation date. Interest will stop accruing on any tax amounts paid. The payment of all or part of the tax liability shown on the *Notice* will in no way affect your right to protest portions with which you do not agree. If you would like to make a payment before receiving the *Notice*, please refer to the enclosed *Audit Payment Information* sheet and provide the requested information with your payment.

You have six (6) months from the date of payment to file a claim for refund on any disputed amounts. If we find that you are entitled to a refund, any overpayments of tax will be credited to outstanding liabilities on your account at the time the overpayment is approved. Any balance will be refunded with credit interest (on the overpaid tax only) at the rate established for refunds.

Please note, although we have applied commonly accepted auditing procedures during the course of your audit, the auditor may not have examined all of your transactions. There may still be transactions that you are not reporting correctly. If you have any questions as to the application of tax to a particular product or transaction, please contact your auditor in writing and he/she will provide you with a written response.

We appreciate your cooperation during the audit of your records.

Sincerely,

  
Helen Karkazis  
District Principal Auditor

Enclosures

Discussed with: Program Manager Dan Kadomoto

cc:

*When you have been unable to resolve a matter through the normal appeals process or for information on your rights, you may contact the Taxpayers' Rights Advocate Office toll-free at 888-324-2798.*



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San Jose, CA 95113

Permit Number: SR GH 26-300129

Dear Taxpayer:

The State Board of Equalization is committed to providing high quality service to our constituents.

As you know, we recently completed an audit of your business. We would appreciate your feedback on how the audit was handled. Your experience is very important to us in our continuous effort to improve our procedures and to better serve both the business community and the taxpayers of our state.

Please take a few moments to fill out the enclosed postage-paid survey, and return it along with any suggestions you may have regarding how the Board of Equalization can better meet your needs.

Sincerely,

Helen Karkazis  
District Principal Auditor

# State Board of Equalization Audit Survey

We would appreciate it if you could take a few minutes to complete this audit survey. We'd also like to have some information that will help evaluate the effectiveness of our audit program. This survey is designed as a postage-paid self-mailer: you may fold the page as indicated and seal it with two pieces of tape.

Please rate the areas listed below by checking the responses which most represent your opinion. On a scale of five to zero, with five being the highest level of satisfaction, one being the lowest, and zero being no opinion, rate your level of satisfaction with:

	LEVEL OF SATISFACTION					
	Very Satisfied 5	4	3	2	Very Dissatisfied 1	No Opinion 0
■ The courtesy and professionalism displayed by the Board staff during your audit.	<input type="checkbox"/>					
■ The explanation of your audit.	<input type="checkbox"/>					
■ The thoroughness of answers to your questions concerning tax laws.	<input type="checkbox"/>					
■ The thoroughness of answers to your questions concerning audit methods/techniques.	<input type="checkbox"/>					
■ The extent of disruption of your normal business practices during the audit.						
	Not Very Disruptive	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Very Disruptive	<input type="checkbox"/>
■ The reasonableness of requests for documentation during the course of examining your records.						
	Very Reasonable	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Very Unreasonable	<input type="checkbox"/>
■ Did you receive a copy of the audit workpapers?	Yes	No				
	<input type="checkbox"/>	<input type="checkbox"/>				

Comments \_\_\_\_\_

\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

NAME	TELEPHONE NUMBER
ADDRESS (Street, City, State, Zip Code)	( )
	PERMIT NUMBER

DMA GH - SAN JOSE Auditor K. Sunhee





# State Board of Equalization - Sales and Use Tax Department

## REPORT OF FIELD AUDIT

<b>Account No:</b> SU GH 026-300129	<b>Case Id:</b> 606888
<b>Firm Name:</b>	<b>Lead Auditor:</b> KIM SUNHEE
<b>Owner:</b> CITY OF SAN JOSE	<b>Supervisor:</b> JOHN I HOPKINS
<b>Owner Type:</b> Otr Govrnmt (State/City/Cnty)	<b>Board Office:</b> San Jose Office
<b>Business Address:</b> 200 E SANTA CLARA ST SAN JOSE, CA 95113-1903	<b>Audit Report Date:</b> February 27, 2014
<b>Mailing Address:</b> 200 E SANTA CLARA ST TOWER 4TH FLOOR SAN JOSE, CA 95113	<b>Business Code/SIC:</b> 87
	<b>Account Status:</b> Active
	<b>Tax Area Code:</b> 430603320000

**LIABILITY (OR CREDIT) DISCLOSED BY EXAMINATION OF TAXPAYER'S RECORDS**

Examination Period: 4/01/09 to 3/31/12	Tax	Interest to 3/31/14	Penalty	Total
<b>Total Disclosed by Examination</b>	159,634.42	34,286.17		193,920.59
<b>Balance as of 3/31/14**</b>	\$159,634.42	\$34,286.17	\$0.00	\$193,920.59

\*\*If multiple billings have occurred, the audit liability may not equal the sum of the billings

**TAXABLE MEASURE DISCLOSED BY EXAMINATION OF TAXPAYER'S RECORDS**

	State, Local County and STTI	1% State Increase	Total District
1 OUT OF STATE PURCHASES SUBJECT TO USE TAX	1,770,696	1,355,194	3,541,392
	<u>\$1,770,696</u>	<u>\$1,355,194</u>	<u>\$3,541,392</u>



# State Board of Equalization - Sales and Use Tax Department

## REPORT OF FIELD AUDIT

Account No: SU GH 026-300129  
Case Id: 606888

### DETAILED ANALYSIS OF TAXABLE MEASURE BY JURISDICTION

	<u>SCCT</u> <u>(District)</u>	<u>SCVT</u> <u>(District)</u>	<u>Total District</u>
1 OUT OF STATE PURCHASES SUBJECT TO USE TAX	1,770,696	1,770,696	3,541,392
	<u>\$1,770,696</u>	<u>\$1,770,696</u>	<u>\$3,541,392</u>



## State Board of Equalization - Sales and Use Tax Department

### REPORT OF FIELD AUDIT

**Account No:** SU GH 026-300129  
**Case Id:** 606888

Reviewed By: Wei Zhang  
Date Reviewed: 3/10/14

Statute Date: 04/30/14

A Waiver is attached and the Waiver Period is: 04/01/09 to 12/31/10

First Expiring Period is: 04/01/09, and includes Tax of: \$12,428.59

Auditors who worked on the examination:

<u>OFFICE</u>	<u>AUDITOR ID</u>	<u>CLASS</u>	<u>AUDIT MADE BY</u>	<u>HOURS</u>
GH	00000001942	3	ROSALINDA THOMAS	29.00
GH	00000004446	2	KIM SUNHEE	241.00
GH	00000004710	2	XIA CHEN	17.00
Total Hours				287.00

The Reported Measure during the period of examination is \$34,546,319.

The Audit findings were discussed with: Program manager Dan Kadomoto

Tel: (408) 535-7071

The taxpayer **agrees** with the audit findings.

A copy of this Audit Report was furnished to the taxpayer along with a BOE-0079-C letter.

A credit is not involved and a claim for refund was not secured from the taxpayer, nor previously submitted to HQ.

A Tax Clearance is not required.

A Cigarette Indicia inspection revealed: None sold.

The taxpayer is a Business with more than 50 Employees.

This business does not sell televisions, computers, or portable DVD players.

The taxpayer was provided or instructed to download the following directives:  
Publications 17,70,76

#### General Comments

##### **Type of Business Organization**

Municipal Government.

##### **Class of Business**

Consumer of supplies and equipment purchased from out of state vendors.

##### **Books and Records**

Books and records were adequate for Sales and Use Tax Purpose. Taxpayer has a use tax permit only.

##### **Penalty**

No penalty is recommended. Taxpayer is making a sincere effort to report the proper amount of tax. The percentage of error (5.24%) was low for the amount of purchases made for the audit period. The error was found only from P-card test. No error was noted on AP test. A negligence penalty is not warranted.

##### **NAICS CODE**

A correct NAICS code has been assigned on Teale.

##### **Franchise Tax Board**

n/a



State Board of Equalization - Sales and Use Tax Department

REPORT OF FIELD AUDIT

Audit Payment Form

Account No: SU GH 026-300129

Case Id: 606888

Firm Name:

Lead Auditor: KIM SUNHEE

Owner: CITY OF SAN JOSE

Supervisor: JOHN I HOPKINS

Owner Type: Otr Governmt (State/City/Cnty)

Board Office: San Jose Office

Business Address: 200 E SANTA CLARA ST

Audit Report Date: February 27, 2014

SAN JOSE, CA 95113-1903

Business Code/SIC: 87

Mailing Address: 200 E SANTA CLARA ST TOWER 4TH FLOOR  
SAN JOSE, CA 95113

Account Status: Active

Tax Area Code: 430603320000

LIABILITY (OR CREDIT) DISCLOSED BY EXAMINATION OF TAXPAYER'S RECORDS

Examination Period: 4/01/09 to 3/31/12	Tax	Interest to 3/31/14	Penalty	Total
<b>Total Disclosed by Examination</b>	159,634.42	34,286.17		193,920.59
<b>Balance as of 3/31/14</b>	\$159,634.42	\$34,286.17	\$0.00	\$193,920.59

While this report is not a bill, payment is encouraged to prevent the accrual of additional interest.

Additional interest will accrue monthly on the unpaid Tax after 3/31/14.

**Total Amount as of 3/31/14 is \$193,920.59**

Payment Amount Included \_\_\_\_\_

Please Remit your Payment to:

State Board of Equalization  
P.O. Box 942879  
Sacramento, California  
94279-0013

Please include this page with your payment and make your check or money order payable to: State Board of Equalization.

Always write your account number ( 026-300129 ) on your check or money order.

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State Board of Equalization - Sales and Use Tax Department  
Sales Tax Calculation Summary

03/10/14  
Page: 1

Account Nbr: SU GH 26300129 Case Id: 606BB8 Result Nbr: 1 Taxpayer: CITY OF SAN JOSE  
OMA: GH Area Code: 430603320000 Auditor: KIM SUNHEE Audit Penalties:  
Interest Thru Date: 03/31/14 Audit Period: 04/01/09 thru 03/31/12  
Result Period: 04/01/09 thru 03/31/12

	JURISDICTION	ALLOCATION
TOTAL	State	102006.04
	County	5368.77
	Local	21474.95
Tax	STTI	26843.65
Interest	1% State	16751.96
Penalty	Add On	21475.22
		193920.59

-----  
193920.59  
=====

Breakdown of Jurisdictions:

JURIS	TAX RATE	MEASURE	ALLOCATION	JURIS	TAX RATE	MEASURE	ALLOCATION
BSPD	0.010000	1355194	16751.96	SCCT	0.005000	1770696	10737.61
SCVT	0.005000	1770696	10737.61	SLCST	0.072500	1770696	155693.41

INTEREST CALCULATION RULES

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Include credit periods in the Tax Running Balance: Y  
Include credit periods in the Offset Running Balance: Y  
Allow credit interest on Payments: N  
Calculate interest on credit periods for Offsets at the debit rate: Y  
Calculate credit interest on credit periods: Y

Breakdown of Interest Rates applicable from 04/01/09 to 03/31/14 :

PERIOD	ANNUAL RATE	TYPE	COMPUTED ON	METHOO
01/01/09 - 12/31/09	8.000000	Debit Tax		Simple Monthly
01/01/10 - 06/30/11	7.000000	Debit Tax		Simple Monthly
07/01/11 - 12/31/11	6.000000	Debit Tax		Simple Monthly
01/01/12 - 06/30/12	7.000000	Debit Tax		Simple Monthly
07/01/12 - 12/31/29	6.000000	Debit Tax		Simple Monthly
01/01/09 - 06/30/09	2.000000	Credit Tax		Simple Monthly
07/01/09 - 12/31/29	0.000000	Credit Tax		Simple Monthly

IPSEXIP1  
IPSRPIN1

State Board of Equalization - Sales and Use Tax Department  
Jurisdiction Sales Tax Calculation Summary

03/10/14  
Page: 2

Account Nbr: SU GH 26300129 Case Id: 606888 Result Nbr: 1 Taxpayer: CITY OF SAN JOSE  
OMA: GH Area Code: 430603320000 Auditor: KIM SUNHEE Audit Penalties:  
Interest Thru Date: 03/31/14 Audit Period: 04/01/09 thru 03/31/12  
Result Period: 04/01/09 thru 03/31/12

PERIOD	MEASURE	TAX	RUNNING BALANCE CRD	INTEREST	PENALTY	TOTAL	PENALTIES
BSFD							
2Q09	134363	1343.63	1343.63 Y	26.88	0.00	1370.51	
3Q09	166708	1667.08	3010.71 Y	57.70	0.00	1724.78	
4Q09	109223	1092.23	4102.94 Y	71.79	0.00	1164.02	
1Q10	205028	2050.28	6153.22 Y	107.67	0.00	2157.95	
2Q10	167034	1670.34	7823.56 Y	136.92	0.00	1807.26	
3Q10	169589	1695.89	9519.45 Y	166.59	0.00	1862.48	
4Q10	118238	1182.38	10701.83 Y	187.29	0.00	1369.67	
1Q11	184524	1845.24	12547.07 Y	209.12	0.00	2054.36	
2Q11	100487	1004.87	13551.94 Y	203.28	0.00	1208.15	
3Q11	0	0.00	13551.94 Y	214.57	0.00	214.57	
4Q11	0	0.00	13551.94 Y	237.15	0.00	237.15	
1Q12	0	0.00	13551.94 Y	1581.06	0.00	1581.06	
Total	1355194	13551.94		3200.02	0.00	16751.96	
SCCT							
2Q09	134363	671.82	671.82 Y	13.44	0.00	685.26	
3Q09	166708	833.54	1505.36 Y	28.86	0.00	862.40	
4Q09	109223	546.12	2051.48 Y	35.91	0.00	582.03	
1Q10	205028	1025.14	3076.62 Y	53.85	0.00	1078.99	
2Q10	167034	835.17	3911.79 Y	68.46	0.00	903.63	
3Q10	169589	847.95	4759.74 Y	83.31	0.00	931.26	
4Q10	118238	591.19	5350.93 Y	93.63	0.00	684.82	
1Q11	184524	922.62	6273.55 Y	104.57	0.00	1027.19	
2Q11	100487	502.44	6775.99 Y	101.64	0.00	604.08	
3Q11	197548	987.74	7763.73 Y	122.93	0.00	1110.67	
4Q11	99120	495.60	8259.33 Y	144.54	0.00	640.14	
1Q12	118834	594.17	8853.50 Y	1032.97	0.00	1627.14	
Total	1770696	8853.50		1884.11	0.00	10737.61	
SCVT							
2Q09	134363	671.82	671.82 Y	13.44	0.00	685.26	
3Q09	166708	833.54	1505.36 Y	28.86	0.00	862.40	
4Q09	109223	546.12	2051.48 Y	35.91	0.00	582.03	
1Q10	205028	1025.14	3076.62 Y	53.85	0.00	1078.99	
2Q10	167034	835.17	3911.79 Y	68.46	0.00	903.63	
3Q10	169589	847.95	4759.74 Y	83.31	0.00	931.26	
4Q10	118238	591.19	5350.93 Y	93.63	0.00	684.82	
1Q11	184524	922.62	6273.55 Y	104.57	0.00	1027.19	
2Q11	100487	502.44	6775.99 Y	101.64	0.00	604.08	
3Q11	197548	987.74	7763.73 Y	122.93	0.00	1110.67	
4Q11	99120	495.60	8259.33 Y	144.54	0.00	640.14	
1Q12	118834	594.17	8853.50 Y	1032.97	0.00	1627.14	
Total	1770696	8853.50		1884.11	0.00	10737.61	

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IPSRP1N1

State Board of Equalization - Sales and Use Tax Department  
Jurisdiction Sales Tax Calculation Summary

03/10/14  
Page: 3

Account Nbr: SU GH 26300129 Case Id: 606888 Result Nbr: 1 Taxpayer: CITY OF SAN JOSE  
OMA: GH Area Code: 430603320000 Auditor: KIM SUNHEE Audit Penalties:  
Interest Thru Date: 03/31/14 Audit Period: 04/01/09 thru 03/31/12  
Result Period: 04/01/09 thru 03/31/12

PERIOD	MEASURE	TAX	RUNNING BALANCE	CRD	INTEREST	PENALTY	TOTAL	PENALTIES				
SLCST 0.072500	: LOCAL	0.010000	SCEN	0.047500	CNTY	0.002500	LPSF	0.005000	SLRF	0.005000	ASUT	0.002500
2Q09	134363	9741.32	9741.32	Y	194.82	0.00	9936.14					
3Q09	166708	12086.33	21827.65	Y	418.37	0.00	12504.70					
4Q09	109223	7918.67	29746.32	Y	520.56	0.00	8439.23					
1Q10	205028	14864.53	44610.85	Y	780.69	0.00	15645.22					
2Q10	167034	12109.97	56720.82	Y	992.61	0.00	13102.58					
3Q10	169589	12295.20	69016.02	Y	1207.77	0.00	13502.97					
4Q10	118238	8572.26	77588.28	Y	1357.80	0.00	9930.06					
1Q11	184524	13377.99	90966.27	Y	1516.11	0.00	14894.10					
2Q11	100487	7285.31	98251.58	Y	1473.78	0.00	8759.09					
3Q11	197548	14322.23	112573.81	Y	1782.42	0.00	16104.65					
4Q11	99120	7186.20	119760.01	Y	2095.80	0.00	9282.00					
1Q12	118834	8615.47	128375.48	Y	14977.20	0.00	23592.67					
Total	1770696	128375.48			27317.93	0.00	155693.41					
Total for all Jurisdictions												
2Q09		12428.59				0.00						
3Q09		15420.49				0.00						
4Q09		10103.14				0.00						
1Q10		18965.09				0.00						
2Q10		15450.65				0.00						
3Q10		15686.99				0.00						
4Q10		10937.02				0.00						
1Q11		17068.47				0.00						
2Q11		9295.06				0.00						
3Q11		16297.71				0.00						
4Q11		8177.40				0.00						
1Q12		9803.81				0.00						