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Jun. 15, 2014

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TaxAnalysts

The experts' experts.

A tax news source has sued California's Franchise Tax Board for refusing to disclose the documents it uses to decide whether to combine the incomes of two related companies and how to calculate their taxes.

Tax Analysts, a Virginia company whose publication circulates to more than 150,000 legal and accounting professionals worldwide, said in its lawsuit Thursday that the two forms are public records that are being illegally withheld.

The documents are Forms 6861, titled Relativity Sheet, and 6685, Test Check for Combination. Based on references to the two forms in the board's public file, they are apparently used to determine how one company's gains or losses affect the taxes of a group of affiliated companies, said Mardiros Dakessian, a lawyer for Tax Analysts.

“It's a worksheet that would help (the publication and its readers) understand how

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coding and calculations that are “internal to our audit process” and therefore were exempt from disclosure.

The letter cited a state law allowing to the board to withhold information about its standards for selecting returns to be audited, or the data used for determining those standards, if the board “determines that the disclosure will seriously impair assessment, collection or enforcement.”

Dakessian denied that Tax Analysts is seeking standards for audit selection, or information that would help companies avoid audits.

The companies subject to the two forms “have already been selected for audit,” he said. “This is a computational tool that helps auditors determine a particular adjustment.”

The suit, filed in Los Angeles County Superior Court, asks a judge to order disclosure of the documents.

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