



**OFFICE OF THE ATTORNEY  
GENERAL**

**TAXATION DIVISION**

**COMPTROLLER OF PUBLIC ACCOUNTS  
CASE LIST AND SUMMARY OF ISSUES**

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# Table of Contents

Table of Cases .....	ix
Franchise Tax .....	1
3 Beall Brothers 3, Inc. v. Rylander, et al. ....	1
AirBorn, Inc. v. Rylander, et al. ....	1
American General Corp. v. Rylander, et al. ....	2
Anderson-Clayton Bros. Funeral Home, Inc.; Restland of Dallas, Inc., Restland Funeral Home; Singing Hills Funeral Homes, Inc., Laurel Land Funeral Home of Fort Worth, Inc., Blue Bonnet Hills Funeral Home, Inc., and Blue Bonnet Hills Memorial Park, Inc. v. Rylander, et al. ....	2
Bandag Licensing Corp. v. Sharp, et al. ....	3
Beef Products, Inc. v. Rylander, et al. ....	3
Dana Corp. v. Sharp, et al. ....	3
Delco Electronics Corp. v. Sharp, et al. ....	4
El Paso Electric Co. v. Sharp, et al. ....	4
Fisher Controls International, Inc. v. Sharp, et al. ....	5
General Motors Corp. v. Sharp, et al. ....	5
Gulf Publishing Co. v. Sharp, et al. ....	6
H.J. Heinz Co., Inc. v. Sharp, et al. ....	6
H.J. Heinz Co., Inc. v. Sharp, et al. ....	6
H.J. Heinz Co. v. Rylander, et al. ....	7
Harcourt Brace Jovanovich Legal & Professional, HBJ Farm Publications, Psychological Corp., Drake Beam Morin, Inc. and Holt Rinehart & Winston, Inc. v. Sharp, et al. ....	8
House of Lloyd, Inc. v. Sharp, et al. ....	8
House of Lloyd, Inc. v. Sharp, et al. ....	9
Jiffy Lube International, Inc. v. Rylander, et al. ....	9
Kerrville Telephone Co., The v. Rylander, et al. ....	10
Lyondell Chemical Worldwide, Inc., formerly known as Arco Chemical Co. v. Rylander, et al. ....	10
May Department Stores Co., The v. Sharp, et al. ....	11
MCorp v. Sharp, et al. ....	11
Network Security Acceptance Corp., as Successor in Interest to Network Security Corp. v. Sharp, et al. ....	11
North Star Steel Texas, Inc. v. Sharp, et al. ....	12
Ore-Ida Foods, Inc. v. Sharp, et al. ....	12
Ore-Ida Foods, Inc. v. Sharp, et al. ....	13
Ore-Ida Foods, Inc. v. Rylander, et al. ....	13

Palais Royal, Inc. and 3 Beall Brothers 3, Inc. v. Sharp, et al. . . . .	14
Peter Scalamandre & Sons, Inc. et al. v. Sharp, et al. . . . .	14
Pfizer, Inc. v. Rylander, et al. . . . .	15
Portion Pac, Inc. v. Sharp, et al. . . . .	15
Portion Pac, Inc. v. Sharp, et al. . . . .	16
Portion Pac, Inc. v. Rylander, et al. . . . .	16
Randall’s Food & Drugs, Inc. v. Rylander, et al. . . . .	17
Reliant Energy Gas Transmission Co, formerly known as Noram Gas Transmission Co. v. Rylander, et al. . . . .	17
Richland Development Corp. v. Rylander, et al. . . . .	18
Richland Development Corp. v. Comptroller, et al. . . . .	18
Saudi Refining, Inc. v. Rylander, et al. . . . .	18
Schlumberger Technology Corp. v. Rylander, et al. . . . .	19
Sergeant Enterprises, Inc. v. Sharp, et al. . . . .	19
Shaklee Corp. d/b/a Shaklee U.S., Inc. v. Sharp, et al. . . . .	20
Southern Union Co. v. Sharp, et al. . . . .	20
Southern Union Co. v. Sharp, et al. . . . .	20
Southern Union Co. v. Rylander, et al. . . . .	21
Southern Pacific Transportation Co. and St. Louis Southwestern Railway Co. v. Sharp . . . . .	21
Specialty Retailers, Inc. and 3 Beall Brothers 3, Inc. v. Sharp, et al. . . . .	22
Star-Kist Foods, Inc. v. Sharp, et al. . . . .	22
Star-Kist Foods, Inc. v. Sharp, et al. . . . .	23
Star-Kist Foods, Inc. v. Rylander, et al. . . . .	23
Tesoro Petroleum Corp. v. Sharp, et al. . . . .	24
Texaco Refining & Marketing (East), Inc. v. Rylander, et al. . . . .	24
Texas Aromatics, Inc. v. Sharp, et al. . . . .	24
Union Pacific Resources Co. v. Sharp, et al. . . . .	25
Universal Frozen Foods Co., its Successors-in-Interest, Conagra, Inc. and Lamb Weston, Inc., and Universal Foods Corp. v. Sharp, et al. . . . .	25
Upjohn Co., The v. Sharp, et al. . . . .	26
U.S. Home Corp. v. Rylander, et al. . . . .	26
Weight Watchers Food Co. v. Sharp, et al. . . . .	27
Weight Watchers Gourmet Food Co. v. Rylander, et al. . . . .	27
Westcott Communications, Inc., Law Enforcement Television Network, Inc., Westcott ECI, Inc. and TI-IN Acquisition Corp. v. Sharp, et al. . . . .	28
Wheelabrator Corp., The and Swindell Dressler Leasing Co. v. Sharp, et al. . . . .	28
Xerox Credit Corp. v. Rylander, et al. . . . .	29
<b>Sales Tax . . . . .</b>	<b>31</b>
Abbassinezhad, Akbar v. Rylander, et al. . . . .	31
Alexopolous, Dimitrios P. v. Rylander, et al. . . . .	31

Alpine Industries, Inc. v. Sharp, et al. . . . .	32
American Oil Change Corp. v. Rylander, et al. . . . .	32
American Standard, Inc. v. Sharp, et al. . . . .	33
American Telephone & Telegraph Co. v. Sharp, et al. . . . .	33
Aramis Services, Inc. v. Sharp, et al. . . . .	33
Aramis Services, Inc. v. Rylander, et al. . . . .	34
Baldry, Ann d/b/a Annie's Housekeeping Services v. Sharp, et al. . . . .	34
Bell Bottom Foundation Co. v. Rylander, et al. . . . .	35
BHC Co. v. Sharp, et al. . . . .	35
B.I. Moyle Associates, Inc. v. Rylander, et al. . . . .	35
Big Tex Air Conditioning, Inc. v. Bullock, et al. . . . .	36
Border Steel Rolling Mills, Inc. and Border Steel, Inc., as Successor in Interest to Border Steel Rollings Mills, Inc. v. Rylander, et al. . . . .	36
Brighton Builders, Inc. v. Sharp, et al. . . . .	37
Broadcast Satellite International, Inc. v. Rylander, et al. . . . .	37
C & T Stone Co. v. Rylander, et al. . . . .	37
Cafeteria Operators, L.P. v. Rylander, et al. . . . .	38
Central Power & Light Co. v. Sharp, et al. . . . .	38
Church & Dwight Co., Inc. v. Rylander, et al. . . . .	39
Clinique Services, Inc. v. Sharp, et al. . . . .	39
Clinique Services, Inc. v. Rylander, et al. . . . .	39
Coastal Refining & Marketing, Inc. v. Sharp, et al. . . . .	40
Commercial Janitorial Services, Inc. v. Sharp, et al. . . . .	40
D&D Recycling, Inc. v. Rylander, et al. . . . .	41
Denmon's H2 Safety Services, Inc. v. Sharp . . . . .	41
E. de la Garza, Inc. v. Rylander, et al. . . . .	41
East Rio Hondo Water Supply Corp. v. Rylander, et al. . . . .	42
El Paso Silverton Construction Co., Inc. v. Sharp, et al. . . . .	42
Estee Lauder Services, Inc. v. Sharp, et al. . . . .	43
Estee Lauder Services, Inc. v. Sharp, et al. . . . .	43
F.C. Felhaber & Co., Inc. v. Sharp, et al. . . . .	43
F M Express Food Mart, Inc., and Fouad Hanna Mekdessi v. Rylander, et al. . . . .	44
Fiesta Texas Theme Park, Ltd. v. Sharp, et al. . . . .	44
Galleria Limited v. Rylander, et al. . . . .	45
Garza, Lawrence v. Sharp, et al. . . . .	45
Gateway Homes, Inc. v. Sharp, et al. . . . .	45
GATX Terminals Corp. v. Sharp, et al. . . . .	46
GATX Terminals Corp. v. Sharp, et al. . . . .	46
Graybar Electric Co., Inc. v. Sharp, et al. . . . .	47
Grocers Supply Co., Inc. v. Sharp, et al. . . . .	47
Grocers Supply Co., Inc. v. Sharp, et al. . . . .	47

H.J. Wilson Co., Inc. v. Sharp, et al. . . . .	48
Heritage Numismatic Auctions, Inc. & Heritage Capital Corp. v. Rylander, et al. . . . .	48
Herndon Marine Products, Inc. v. Sharp, et al. . . . .	48
Hines Interests Limited Partnership v. Rylander, et al. . . . .	49
Holzem, Inc. v. Sharp, et al. . . . .	49
House of Lloyd, Inc. v. Rylander, et al. . . . .	50
Impaco, Inc. v. Rylander, et al. . . . .	50
Interpak Terminals, Inc. v. Sharp, et al. . . . .	51
Jett Racing and Sales, Inc. v. Sharp, et al. . . . .	51
John Hancock Mutual Life Insurance Co., The v. Rylander, et al. . . . .	51
Kroger Co., The v. Sharp, et al. . . . .	52
Kunz Construction Co., Inc. v. Sharp, et al. . . . .	52
L. D. Brinkman & Co., Inc. v. Sharp, et al. . . . .	53
LabOne, Inc. v. Rylander, et al. . . . .	53
Lake Charles Yamaha, Inc. v. Morales, et al. . . . .	53
Lake Charles Yamaha, Inc. v. Morales, et al. . . . .	54
Laredo Country Club, Inc., A Texas Corp. v. Sharp, et al. . . . .	54
Lebaron Hotel Corp., d/b/a The Lebaron Hotel v. Sharp, et al. . . . .	55
Lee Construction and Maintenance Co. v. Rylander, et al. . . . .	55
Leyendecker Construction, Inc. v. Sharp, et al. . . . .	55
Local Neon Co., Inc. v. Rylander, et al. . . . .	56
Lopez-Gloria Construction Services, Inc. v. Sharp, et al. . . . .	56
Macias, David Ronald v. Sharp . . . . .	57
Mazanec Construction Co., Inc. v. Sharp, et al. . . . .	57
Medaphis Physicians Services Corp. v. Sharp, et al. . . . .	58
Melek Corp. v. Rylander . . . . .	58
Miller, Jerry W. Sr. v. Rylander, et al. . . . .	58
National Business Furniture, Inc. v. Sharp, et al. . . . .	59
Neiman Marcus Group, Inc. v. Sharp, et al. . . . .	59
North Alamo Water Supply Corp. v. Rylander, et al. . . . .	60
North American Intelcom, Inc., et al. v. Sharp, et al. . . . .	60
North Texas Asset Management, Inc. v. Sharp, et al. . . . .	61
Norwood Homes, Inc. v. Sharp, et al. . . . .	61
Paragon Communications v. Sharp, et al. . . . .	61
Perry Homes, A Joint Venture v. Sharp, et al. . . . .	62
Peter Piper, Inc. and L & H Pacific, L.L.C. v. Sharp, et al. . . . .	62
Petrolite Corp. v. Sharp, et al. . . . .	63
Pflugerville, City of v. Capital Metropolitan Transportation Authority and Carole Keeton Rylander . . . . .	63
Phelan Co., The v. Sharp, et al. . . . .	63

Praxair, Inc. v. Sharp, et al. ....	64
Praxair, Inc. v. Sharp, et al. ....	64
Prodigy Services Co. v. Rylander, et al. ....	65
R Communications, Inc. f/k/a RN Communications, Inc. v. Sharp, et al. ....	65
RAI Credit Corp. v. Rylander, et al. ....	66
Roadway Express, Inc. v. Rylander, et al. ....	66
Samedan Oil Corp. v. Sharp, et al. ....	67
Sam Houston Race Park, Ltd. v. Rylander, et al. ....	67
Schmitz Industries, Inc. v. Sharp ....	67
Schoenborn & Doll Enterprises, Inc. v. Rylander, et al. ....	68
Sears Roebuck & Co. v. Rylander, et al. ....	68
Service Merchandise Co., Inc. v. Sharp, et al. ....	69
Sharyland Water Supply Corp. v. Rylander, et al. ....	69
Sledd, Charles Bruce ....	69
Southwest Pay Telephone Corp., Successor in Interest to Southwest Pay Telephone Systems, Inc. v. Sharp, et al. ....	70
Spaw-Glass, Inc. and Spaw Glass Construction Co. v. Rylander, et al. ....	70
Sprint International Communications, Inc. v. Sharp, et al. ....	71
Summit Photographix, Inc. v. Rylander, et al. ....	71
Choi, Sung Ju d/b/a Sam Young Trading Co. v. Sharp ....	72
TCCT Real Estate, Inc. v. Rylander, et al. ....	72
TCCT Real Estate, Inc. as Successor to TCC Austin Industrial Overhead v. Rylander, et al. ....	72
Tennessee Gas Pipeline Co. v. Sharp, et al. ....	73
Texas Gulf, Inc. v. Bullock, et al. ....	74
Transcontinental Gas Pipeline Corp. v. Rylander, et al. ....	74
Union Carbide Corp. v. Rylander, et al. ....	74
Unit 82 Joint Venture v. Rylander, et al. ....	75
United Services Automobile Association v. Sharp, et al. ....	75
U.S. On-Line Cable v. Rylander, et al. ....	76
USA Waste Services of Houston, Inc. v. Rylander, et al. ....	76
Waller Hotel Group, Inc. v. Sharp, et al. ....	77
West Texas Pizza, Limited Partnership v. Sharp, et al. ....	77
Westar Hotels, Inc. v. Sharp, et al. ....	77
Young's Beer Barn, Inc. v. Sharp ....	78
<b>Insurance Tax</b> ....	<b>79</b>
All American Life Insurance Co., et al. v. Sharp, et al. ....	79
All American Life Insurance Co. v. Sharp, et al. ....	79
Allianz Underwriters Insurance Co. v. Rylander, et al. ....	80
Allmerica Financial Life Insurance Co. and Annuity Co. v. Rylander, et al. ....	80
American Bankers Insurance Co. of Florida, et al. v. Ann Richards, et al. ....	81

American General Life Insurance Co., American National Life Insurance Co., and American National Insurance Co. v. Sharp, et al. . . . .	81
American International Specialty Lines Insurance Co. v. Rylander, et al. . . . .	82
Dow Chemical Co. v. Rylander, et al. . . . .	82
Dow Chemical Co., The v. Rylander, et al. . . . .	83
Federal Home Life Insurance Co. v. Rylander, et al. . . . .	83
First Colony Life Insurance Co. v. Rylander, et al. . . . .	83
GE Life and Annuity Assurance Co., fka Life Insurance Co. of Virginia v. Rylander, et al. . . . .	84
General Electric Capital Assurance Co. v. Rylander, et al. . . . .	84
Great Northern Insured Annuity Corp. v. Rylander, et al. . . . .	85
Harvest Life Insurance Co., The v. Rylander, et al. . . . .	85
Heritage Life Insurance Co. v. Rylander, et al. . . . .	85
IDS Life Insurance Co. v. Rylander, et al. . . . .	86
Liberty National Life Insurance Co. v. Martha Whitehead, et al. . . . .	86
Metropolitan Life Insurance Co., et al. v. A.W. Pogue, et al. . . . .	87
Metropolitan Life Insurance Co., et al. v. A.W. Pogue, et al. . . . .	87
Principal Life Insurance Co. v. Rylander, et al. . . . .	87
Redland Insurance Co. v. State of Texas, et al. . . . .	88
Security National Insurance Co. v. Rylander, et al. . . . .	88
Southwestern Life Insurance Co. v. Philip Barnes, et al. . . . .	89
Southwestern Life Insurance Co. v. Sharp, et al. . . . .	89
Southwestern Life Insurance Co. v. Rylander, et al. . . . .	89
State Farm Life Insurance Co. v. Cornyn, Rylander, et al. . . . .	90
Texas Workers' Compensation Insurance Facility v. Comptroller . . . . .	90
Texas Workers' Compensation Insurance Facility v. Comptroller, et al. . . . .	91
Union Fidelity Life Insurance Co. v. Rylander, et al. . . . .	91
United American Insurance Co. v. Rylander, et al. . . . .	92
Universe Life Insurance Co. v. State of Texas . . . . .	92
Universe Life Insurance Co., The v. Cornyn, et al. . . . .	93
Warranty Underwriters Insurance Co. v. Rylander, et al. . . . .	93
<b>Controlled Substances Tax . . . . .</b>	<b>95</b>
Sanchez, Joseph I. & Zyle Glass & Anthony Montoya . Rylander, et al. . . . .	95
<b>Other Taxes . . . . .</b>	<b>97</b>
Buffalo ISD v. Comptroller . . . . .	97
Burluson ISD v. Comptroller . . . . .	97
Caldwell, Marcie v. Rylander . . . . .	98
Castleberry ISD; Ennis ISD; Canyon ISD; La Porte ISD v. Texas Comptroller . . . . .	98
Centerville ISD v. Comptroller . . . . .	99
Chevron USA, Inc. v. Sharp, et al. . . . .	99

Chrysler Financial Co., L.L.C. v. Rylander, et al. . . . .	99
Cockrill, Charles T. v. Comptroller of Public Accounts, et al. . . . .	100
Deweyville ISD v. Rylander . . . . .	101
El Paso Natural Gas Co. v. Sharp . . . . .	101
Fort Davis ISD v. Comptroller . . . . .	101
Hernandez, Juan Luis v. Rylander, et al. . . . .	102
MFC Finance Company of Texas v. Rylander, et al. . . . .	102
MFN Financial Corp. v. Rylander, et al. . . . .	103
Marathon Oil Co. v. Rylander, et al. . . . .	103
McCarty-Hull Cigar Co. v. Sharp, et al. . . . .	103
McCarty-Hull Cigar Co. v. Rylander, et al. . . . .	104
New Crew Quarters 2, Inc. v. Rylander, et al. . . . .	104
Oakwood ISD v. Comptroller . . . . .	105
P.W. Jones Oil Co., Inc. v. Sharp, et al. . . . .	105
Preston Motors by George L. Preston, Owner v. Sharp, et al. . . . .	105
Travis Co., et al. v. Lot 1, Baker Dale Addn. . . . .	106
Union Standard Insurance Co. v. Rylander, et al. . . . .	106
Valentine ISD v. Comptroller . . . . .	106
<b>Closed Cases . . . . .</b>	<b>109</b>
3 Beall Brothers 3, Inc. v. Sharp, et al. . . . .	109
Adams Resources & Energy, Inc., Service Transport Co. and ADA Crude Oil Co. v. Comptroller . . . . .	109
American & Foreign Insurance Co., Royal Indemnity Co., Royal Insurance Co. of America and Safeguard Insurance Co. v. TDI; Jose Montemayor, Cmsr.; Cornyn; Rylander; CPA; and Texas Public Finance Authority . . . . .	110
AT&T Corp. and AT&T Communications of the Southwest, Inc. v. Sharp, et al. . . . .	110
Brown, William A. d/b/a Nortex Investigative Services v. Sharp, et al. . . . .	111
Capital Guidance Associates IV v. Sharp, et al. . . . .	111
Celadon Trucking Services, Inc. v. Sharp, et al. . . . .	112
Chevron Chemical Co. v. Rylander, et al. . . . .	112
Chevron USA, Inc. v. Sharp, et al. . . . .	113
Cinco Hermanos, Inc. v. Sharp, et al. . . . .	113
Computer Systems of America, Inc. v. Sharp, et al. . . . .	114
Consigned Sales Distributors, Inc. v. Sharp, et al. . . . .	114
Dallas SMSA Partnership v. Sharp, et al. . . . .	115
Davis, Mary v. Sharp, et al. . . . .	115
Etan Industries, Inc. v. Sharp, et al. . . . .	115
Fleming Foods of Texas, Inc. v. Sharp, et al. . . . .	116
Gant, Jesse A., Estate of v. Comptroller, et al. . . . .	116

Haber Fabrics Corp. v. Sharp, et al. . . . .	117
Hoffer Furniture Rental, Inc. v. Sharp . . . . .	117
Houston Industries, Inc. v. Sharp, et al. . . . .	118
Houston Industries Building, Inc. v. Rylander, et al. . . . .	118
Irv-Tex Coin Laundries, Inc. v. Sharp, et al. . . . .	118
Kandi Sue, Inc. v. Sharp, et al. . . . .	119
Kerrville ISD v. Comptroller . . . . .	119
Kraft Foods, Inc. v. Rylander, et al. . . . .	120
Lake Charles Yamaha, Inc. v. Sharp . . . . .	120
Lake Worth ISD, et al. v. Texas Comptroller of Public Accounts . . . . .	120
Landgraf, Larry A. dba Landgraf & Co., Inc. v. Rylander, et al. . . . .	121
Laney, James M. v. Sharp, et al. . . . .	121
LTV Steel Co., Inc. v. Sharp, et al. . . . .	122
Lucky Lady Oil Co. v. Rylander, et al. . . . .	122
Martinez, Jesus Manuel v. Sharp, et al. . . . .	122
McLane Company, Inc. v. Rylander, et al. . . . .	123
Nabisco, Inc. and Planters/Lifesavers v. Sharp, et al. . . . .	123
Nevada Asset Management Corp. v. Rylander, et al. . . . .	124
Oliveira, Leonel v. Rylander, et al. . . . .	124
Ontario Investments, Inc. v. Sharp, et al. . . . .	125
Phillips Petroleum Co. v. Sharp, et al. . . . .	125
Phillips Petroleum Co. v. Sharp, et al. . . . .	125
Popp, Robert K. v. Sharp . . . . .	126
Reflectone Training Systems, Inc. v. Bullock, et al. . . . .	126
Rubrecht, Henry Fred v. Bullock, et al. . . . .	126
Ryder Truck Rental, Inc. v. Sharp, et al. . . . .	127
Salih, John Douglas v. Sharp, et al. . . . .	127
San Antonio SMSA\ Limited Partnership v. Sharp, et al. . . . .	127
Schlumberger Technology Corp., for and on behalf of Geoquest Systems, Inc. v. Rylander, et al. . . . .	128
Smith, Kelli Deann v. Sharp . . . . .	128
Southwest Oil Co. of San Antonio, Inc. v. Bullock, et al. . . . .	129
Southwest Subrogation Services, Inc. v. Sharp, et al. . . . .	129
Southwestern Explosives, Inc. v. Bullock, et al. . . . .	129
Southwestern Bell Telephone Co. v. Sharp, et al. . . . .	130
Southwestern Gas Pipeline, Inc., Mitchell Energy Corp. & and The Woodlands Commercial Properties Co., L.P. v. Rylander, et al. . . . .	130
Southwestern Life Insurance Co. v. Georgia Flint, et al. . . . .	131
SRI Receivables, Inc. v. Rylander, et al. . . . .	131
Steamatic of Austin, Inc., et al. v. Sharp, et al. . . . .	131
Steen, Steven G. v. State of Texas, Secretary of State . . . . .	132

Sternberg, Bruce Lee v. Sharp, et al. . . . .	132
Thurman, Kay G. and Merlene G. Stroud v. Sharp . . . . .	133
Union Carbide Chemicals & Plastics Co., Inc. v. Sharp, et al. . . . .	133
Union Pacific Resources Co. v. Sharp, et al. . . . .	133
United Beverage Co. v. Rylander, et al. . . . .	134
Vallado, Jan Clopton, Independent Executor of Estate of Marion Wallace Clopton, Jr. v. Sharp, et al. . . . .	134
Wal-Mart Stores, Inc. v. Sharp, et al. . . . .	134
West Texas Gas, Inc. v. Sharp, et al. . . . .	135
Whitesboro ISD, et al. v. Texas Comptroller of Public Accounts . . . . .	135
Wiking Demolition Corp. v. the State of Texas, the Cities of San Antonio and Houston, Texas, the Transit Authority of San Antonio, Texas, John Cornyn, and Carole Keeton Rylander . . . . .	136
Index . . . . .	137



## Table of Cases

3 Beall Brothers 3, Inc. v. Rylander, et al. . . . .	1
3 Beall Brothers 3, Inc. v. Sharp, et al. . . . .	109
Abbassinezhad, Akbar v. Rylander, et al. . . . .	31
Adams Resources & Energy, Inc., Service Transport Co. and ADA Crude Oil Co. v. Comptroller . . . . .	109
AirBorn, Inc. v. Rylander, et al. . . . .	1
Alexopolous, Dimitrios P. v. Rylander, et al. . . . .	31
All American Life Insurance Co. v. Sharp, et al. . . . .	79
All American Life Insurance Co., et al. v. Sharp, et al. . . . .	79
Allianz Underwriters Insurance Co. v. Rylander, et al. . . . .	80
Allmerica Financial Life Insurance Co. and Annuity Co. v. Rylander, et al. . . . .	80
Alpine Industries, Inc. v. Sharp, et al. . . . .	32
American & Foreign Insurance Co., Royal Indemnity Co., Royal Insurance Co. of America and Safeguard Insurance Co. v. TDI; Jose Montemayor, Cmsr.; Cornyn; Rylander; CPA; and Texas Public Finance Authority . . . . .	110
American Bankers Insurance Co. of Florida, et al. v. Ann Richards, et al. . . . .	81
American General Corp. v. Rylander, et al. . . . .	2
American General Life Insurance Co., American National Life Insurance Co., and American National Insurance Co. v. Sharp, et al. . . . .	81
American International Specialty Lines Insurance Co. v. Rylander, et al. . . . .	82
American Oil Change Corp. v. Rylander, et al. . . . .	32
American Standard, Inc. v. Sharp, et al. . . . .	33
American Telephone & Telegraph Co. v. Sharp, et al. . . . .	33
Anderson-Clayton Bros. Funeral Home, Inc.; Restland of Dallas, Inc., Restland Funeral Home; Singing Hills Funeral Homes, Inc., Laurel Land Funeral Home of Fort Worth, Inc., Blue Bonnet Hills Funeral Home, Inc., and Blue Bonnet Hills Memorial Park, Inc. v. Rylander, et al. . . . .	2
Aramis Services, Inc. v. Sharp, et al. . . . .	33
Aramis Services, Inc. v. Rylander, et al. . . . .	34
AT&T Corp. and AT&T Communications of the Southwest, Inc. v. Sharp, et al. . . . .	110
B.I. Moyle Associates, Inc. v. Rylander, et al. . . . .	35
Baldry, Ann d/b/a Annie's Housekeeping Services v. Sharp, et al. . . . .	34
Bandag Licensing Corp. v. Sharp, et al. . . . .	3
Beef Products, Inc. v. Rylander, et al. . . . .	3
Bell Bottom Foundation Co. v. Rylander, et al. . . . .	35
BHC Co. v. Sharp, et al. . . . .	35
Big Tex Air Conditioning, Inc. v. Bullock, et al. . . . .	36
Border Steel Rolling Mills, Inc. and Border Steel, Inc., as Successor in Interest to Border	

Steel Rollings Mills, Inc. v. Rylander, et al. . . . .	36
Brighton Builders, Inc. v. Sharp, et al. . . . .	37
Broadcast Satellite International, Inc. v. Rylander, et al. . . . .	37
Brown, William A. d/b/a Nortex Investigative Services v. Sharp, et al. . . . .	111
Buffalo ISD v. Comptroller . . . . .	97
Burleson ISD v. Comptroller . . . . .	97
C & T Stone Co. v. Rylander, et al. . . . .	37
Cafeteria Operators, L.P. v. Rylander, et al. . . . .	38
Caldwell, Marcie v. Rylander . . . . .	98
Capital Guidance Associates IV v. Sharp, et al. . . . .	111
Castleberry ISD; Ennis ISD; Canyon ISD; La Porte ISD v. Texas Comptroller . . . . .	98
Celadon Trucking Services, Inc. v. Sharp, et al. . . . .	112
Centerville ISD v. Comptroller . . . . .	99
Central Power & Light Co. v. Sharp, et al. . . . .	38
Chevron Chemical Co. v. Rylander, et al. . . . .	112
Chevron USA, Inc. v. Sharp, et al. . . . .	113
Chevron USA, Inc. v. Sharp, et al. . . . .	99
Choi, Sung Ju d/b/a Sam Young Trading Co. v. Sharp . . . . .	72
Chrysler Financial Co., L.L.C. v. Rylander, et al. . . . .	99
Church & Dwight Co., Inc. v. Rylander, et al. . . . .	39
Cinco Hermanos, Inc. v. Sharp, et al. . . . .	113
Clinique Services, Inc. v. Rylander, et al. . . . .	39
Clinique Services, Inc. v. Sharp, et al. . . . .	39
Coastal Refining & Marketing, Inc. v. Sharp, et al. . . . .	40
Cockrill, Charles T. v. Comptroller of Public Accounts, et al. . . . .	100
Commercial Janitorial Services, Inc. v. Sharp, et al. . . . .	40
Computer Systems of America, Inc. v. Sharp, et al. . . . .	114
Consigned Sales Distributors, Inc. v. Sharp, et al. . . . .	114
D&D Recycling, Inc. v. Rylander, et al. . . . .	41
Dallas SMSA Partnership v. Sharp, et al. . . . .	115
Dana Corp. v. Sharp, et al. . . . .	3
Davis, Mary v. Sharp, et al. . . . .	115
Delco Electronics Corp. v. Sharp, et al. . . . .	4
Denmon's H2 Safety Services, Inc. v. Sharp . . . . .	41
Deweyville ISD v. Rylander . . . . .	101
Dow Chemical Co. v. Rylander, et al. . . . .	82
Dow Chemical Co., The v. Rylander, et al. . . . .	83
E. de la Garza, Inc. v. Rylander, et al. . . . .	41
East Rio Hondo Water Supply Corp. v. Rylander, et al. . . . .	42
El Paso Electric Co. v. Sharp, et al. . . . .	4
El Paso Natural Gas Co. v. Sharp . . . . .	101

El Paso Silverton Construction Co., Inc. v. Sharp, et al. . . . .	42
Estee Lauder Services, Inc. v. Sharp, et al. . . . .	43
Estee Lauder Services, Inc. v. Sharp, et al. . . . .	43
Etan Industries, Inc. v. Sharp, et al. . . . .	115
F M Express Food Mart, Inc., and Fouad Hanna Mekdessi v. Rylander, et al. . . . .	44
F.C. Felhaber & Co., Inc. v. Sharp, et al. . . . .	43
Federal Home Life Insurance Co. v. Rylander, et al. . . . .	83
Fiesta Texas Theme Park, Ltd. v. Sharp, et al. . . . .	44
First Colony Life Insurance Co. v. Rylander, et al. . . . .	83
Fisher Controls International, Inc. v. Sharp, et al. . . . .	5
Fleming Foods of Texas, Inc. v. Sharp, et al. . . . .	116
Fort Davis ISD v. Comptroller . . . . .	101
Galleria Limited v. Rylander, et al. . . . .	45
Gant, Jesse A., Estate of v. Comptroller, et al. . . . .	116
Garza, Lawrence v. Sharp, et al. . . . .	45
Gateway Homes, Inc. v. Sharp, et al. . . . .	45
GATX Terminals Corp. v. Sharp, et al. . . . .	46
GATX Terminals Corp. v. Sharp, et al. . . . .	46
GE Life and Annuity Assurance Co., fka Life Insurance Co. of Virginia v. Rylander, et al. . . . .	84
General Electric Capital Assurance Co. v. Rylander, et al. . . . .	84
General Motors Corp. v. Sharp, et al. . . . .	5
Graybar Electric Co., Inc. v. Sharp, et al. . . . .	47
Great Northern Insured Annuity Corp. v. Rylander, et al. . . . .	85
Grocers Supply Co., Inc. v. Sharp, et al. . . . .	47
Grocers Supply Co., Inc. v. Sharp, et al. . . . .	47
Gulf Publishing Co. v. Sharp, et al. . . . .	6
H.J. Heinz Co., Inc. v. Sharp, et al. . . . .	6
H.J. Heinz Co., Inc. v. Sharp, et al. . . . .	6
H.J. Heinz Co. v. Rylander, et al. . . . .	7
H.J. Wilson Co., Inc. v. Sharp, et al. . . . .	48
Haber Fabrics Corp. v. Sharp, et al. . . . .	117
Harcourt Brace Jovanovich Legal & Professional, HBJ Farm Publications, Psychological Corp., Drake Beam Morin, Inc. and Holt Rinehart & Winston, Inc. v. Sharp, et al. . . . .	8
Harvest Life Insurance Co., The v. Rylander, et al. . . . .	85
Heritage Life Insurance Co. v. Rylander, et al. . . . .	85
Heritage Numismatic Auctions, Inc. & Heritage Capital Corp. v. Rylander, et al. . . . .	48
Hernandez, Juan Luis v. Rylander, et al. . . . .	102
Herndon Marine Products, Inc. v. Sharp, et al. . . . .	48
Hines Interests Limited Partnership v. Rylander, et al. . . . .	49
Hoffer Furniture Rental, Inc. v. Sharp . . . . .	117
Holzem, Inc. v. Sharp, et al. . . . .	49

House of Lloyd, Inc. v. Sharp, et al. . . . .	8
House of Lloyd, Inc. v. Rylander, et al. . . . .	50
House of Lloyd, Inc. v. Sharp, et al. . . . .	9
Houston Industries Building, Inc. v. Rylander, et al. . . . .	118
Houston Industries, Inc. v. Sharp, et al. . . . .	118
IDS Life Insurance Co. v. Rylander, et al. . . . .	86
Impaco, Inc. v. Rylander, et al. . . . .	50
Interpak Terminals, Inc. v. Sharp, et al. . . . .	51
Irv-Tex Coin Laundries, Inc. v. Sharp, et al. . . . .	118
Jett Racing and Sales, Inc. v. Sharp, et al. . . . .	51
Jiffy Lube International, Inc. v. Rylander, et al. . . . .	9
John Hancock Mutual Life Insurance Co., The v. Rylander, et al. . . . .	51
Kandi Sue, Inc. v. Sharp, et al. . . . .	119
Kerrville ISD v. Comptroller . . . . .	119
Kerrville Telephone Co., The v. Rylander, et al. . . . .	10
Kraft Foods, Inc. v. Rylander, et al. . . . .	120
Kroger Co., The v. Sharp, et al. . . . .	52
Kunz Construction Co., Inc. v. Sharp, et al. . . . .	52
L. D. Brinkman & Co., Inc. v. Sharp, et al. . . . .	53
LabOne, Inc. v. Rylander, et al. . . . .	53
Lake Charles Yamaha, Inc. v. Morales, et al. . . . .	53
Lake Charles Yamaha, Inc. v. Morales, et al. . . . .	54
Lake Charles Yamaha, Inc. v. Sharp . . . . .	120
Lake Worth ISD, et al. v. Texas Comptroller of Public Accounts . . . . .	120
Landgraf, Larry A. dba Landgraf & Co., Inc. v. Rylander, et al. . . . .	121
Laney, James M. v. Sharp, et al. . . . .	121
Laredo Country Club, Inc., A Texas Corp. v. Sharp, et al. . . . .	54
Lebaron Hotel Corp., d/b/a The Lebaron Hotel v. Sharp, et al. . . . .	55
Lee Construction and Maintenance Co. v. Rylander, et al. . . . .	55
Leyendecker Construction, Inc. v. Sharp, et al. . . . .	55
Liberty National Life Insurance Co. v. Martha Whitehead, et al. . . . .	86
Local Neon Co., Inc. v. Rylander, et al. . . . .	56
Lopez-Gloria Construction Services, Inc. v. Sharp, et al. . . . .	56
LTV Steel Co., Inc. v. Sharp, et al. . . . .	122
Lucky Lady Oil Co. v. Rylander, et al. . . . .	122
Lyondell Chemical Worldwide, Inc., formerly known as Arco Chemical Co. v. Rylander, et al. . . . .	10
Macias, David Ronald v. Sharp . . . . .	57
Marathon Oil Co. v. Rylander, et al. . . . .	103
Martinez, Jesus Manuel v. Sharp, et al. . . . .	122
May Department Stores Co., The v. Sharp, et al. . . . .	11

Mazanec Construction Co., Inc. v. Sharp, et al. . . . .	57
McCarty-Hull Cigar Co. v. Rylander, et al. . . . .	104
McCarty-Hull Cigar Co. v. Sharp, et al. . . . .	103
McLane Company, Inc. v. Rylander, et al. . . . .	123
MCorp v. Sharp, et al. . . . .	11
Medaphis Physicians Services Corp. v. Sharp, et al. . . . .	58
Melek Corp. v. Rylander . . . . .	58
Metropolitan Life Insurance Co., et al. v. A.W. Pogue, et al. . . . .	87
Metropolitan Life Insurance Co., et al. v. A.W. Pogue, et al. . . . .	87
MFC Finance Company of Texas v. Rylander, et al. . . . .	102
MFN Financial Corp. v. Rylander, et al. . . . .	103
Miller, Jerry W. Sr. v. Rylander, et al. . . . .	58
Nabisco, Inc. and Planters/Lifesavers v. Sharp, et al. . . . .	123
National Business Furniture, Inc. v. Sharp, et al. . . . .	59
Neiman Marcus Group, Inc. v. Sharp, et al. . . . .	59
Network Security Acceptance Corp., as Successor in Interest to Network Security Corp. v. Sharp, et al. . . . .	11
Nevada Asset Management Corp. v. Rylander, et al. . . . .	124
New Crew Quarters 2, Inc. v. Rylander, et al. . . . .	104
North Alamo Water Supply Corp. v. Rylander, et al. . . . .	60
North American Intelcom, Inc., et al. v. Sharp, et al. . . . .	60
North Star Steel Texas, Inc. v. Sharp, et al. . . . .	12
North Texas Asset Management, Inc. v. Sharp, et al. . . . .	61
Norwood Homes, Inc. v. Sharp, et al. . . . .	61
Oakwood ISD v. Comptroller . . . . .	105
Oliveira, Leonel v. Rylander, et al. . . . .	124
Ontario Investments, Inc. v. Sharp, et al. . . . .	125
Ore-Ida Foods, Inc. v. Rylander, et al. . . . .	13
Ore-Ida Foods, Inc. v. Sharp, et al. . . . .	12
Ore-Ida Foods, Inc. v. Sharp, et al. . . . .	13
P.W. Jones Oil Co., Inc. v. Sharp, et al. . . . .	105
Palais Royal, Inc. and 3 Beall Brothers 3, Inc. v. Sharp, et al. . . . .	14
Paragon Communications v. Sharp, et al. . . . .	61
Perry Homes, A Joint Venture v. Sharp, et al. . . . .	62
Peter Piper, Inc. and L & H Pacific, L.L.C. v. Sharp, et al. . . . .	62
Peter Scalandre & Sons, Inc. et al. v. Sharp, et al. . . . .	14
Petrolite Corp. v. Sharp, et al. . . . .	63
Pfizer, Inc. v. Rylander, et al. . . . .	15
Pflugerville, City of v. Capital Metropolitan Transportation Authority and Carole Keeton Rylander . .	63
Phelan Co., The v. Sharp, et al. . . . .	63
Phillips Petroleum Co. v. Sharp, et al. . . . .	125

Phillips Petroleum Co. v. Sharp, et al. . . . .	125
Popp, Robert K. v. Sharp . . . . .	126
Portion Pac, Inc. v. Sharp, et al. . . . .	15
Portion Pac, Inc. v. Sharp, et al. . . . .	16
Portion Pac, Inc. v. Rylander, et al. . . . .	16
Praxair, Inc. v. Sharp, et al. . . . .	64
Praxair, Inc. v. Sharp, et al. . . . .	64
Preston Motors by George L. Preston, Owner v. Sharp, et al. . . . .	105
Principal Life Insurance Co. v. Rylander, et al. . . . .	87
Prodigy Services Co. v. Rylander, et al. . . . .	65
R Communications, Inc. f/k/a RN Communications, Inc. v. Sharp, et al. . . . .	65
RAI Credit Corp. v. Rylander, et al. . . . .	66
Randall’s Food & Drugs, Inc. v. Rylander, et al. . . . .	17
Redland Insurance Co. v. State of Texas, et al. . . . .	88
Reflectone Training Systems, Inc. v. Bullock, et al. . . . .	126
Reliant Energy Gas Transmission Co, formerly known as Noram Gas Transmission Co. v. Rylander, et al. . . . .	17
Richland Development Corp. v. Comptroller, et al. . . . .	18
Richland Development Corp. v. Rylander, et al. . . . .	18
Roadway Express, Inc. v. Rylander, et al. . . . .	66
Rubrecht, Henry Fred v. Bullock, et al. . . . .	126
Ryder Truck Rental, Inc. v. Sharp, et al. . . . .	127
Salih, John Douglas v. Sharp, et al. . . . .	127
Sam Houston Race Park, Ltd. v. Rylander, et al. . . . .	67
Samedan Oil Corp. v. Sharp, et al. . . . .	67
San Antonio SMSA\ Limited Partnership v. Sharp, et al. . . . .	127
Sanchez, Joseph I. & Zyle Glass & Anthony Montoya . Rylander, et al. . . . .	95
Saudi Refining, Inc. v. Rylander, et al. . . . .	18
Schlumberger Technology Corp. v. Rylander, et al. . . . .	19
Schlumberger Technology Corp., for and on behalf of Geoquest Systems, Inc. v. Rylander, et al. . . . .	128
Schmitz Industries, Inc. v. Sharp . . . . .	67
Schoenborn & Doll Enterprises, Inc. v. Rylander, et al. . . . .	68
Sears Roebuck & Co. v. Rylander, et al. . . . .	68
Security National Insurance Co. v. Rylander, et al. . . . .	88
Sergeant Enterprises, Inc. v. Sharp, et al. . . . .	19
Service Merchandise Co., Inc. v. Sharp, et al. . . . .	69
Shaklee Corp. d/b/a Shaklee U.S., Inc. v. Sharp, et al. . . . .	20
Sharyland Water Supply Corp. v. Rylander, et al. . . . .	69
Sledd, Charles Bruce . . . . .	69
Smith, Kelli Deann v. Sharp . . . . .	128

Southern Pacific Transportation Co. and St. Louis Southwestern Railway Co. v. Sharp . . . . .	21
Southern Union Co. v. Sharp, et al. . . . .	20
Southern Union Co. v. Rylander, et al. . . . .	21
Southern Union Co. v. Sharp, et al. . . . .	20
Southwest Oil Co. of San Antonio, Inc. v. Bullock, et al. . . . .	129
Southwest Pay Telephone Corp., Successor in Interest to Southwest Pay Telephone Systems, Inc. v. Sharp, et al. . . . .	70
Southwest Subrogation Services, Inc. v. Sharp, et al. . . . .	129
Southwestern Bell Telephone Co. v. Sharp, et al. . . . .	130
Southwestern Explosives, Inc. v. Bullock, et al. . . . .	129
Southwestern Gas Pipeline, Inc., Mitchell Energy Corp. & and The Woodlands Commercial Properties Co., L.P. v. Rylander, et al. . . . .	130
Southwestern Life Insurance Co. v. Philip Barnes, et al. . . . .	89
Southwestern Life Insurance Co. v. Rylander, et al. . . . .	89
Southwestern Life Insurance Co. v. Sharp, et al. . . . .	89
Southwestern Life Insurance Co. v. Georgia Flint, et al. . . . .	131
Spaw-Glass, Inc. and Spaw Glass Construction Co. v. Rylander, et al. . . . .	70
Specialty Retailers, Inc. and 3 Beall Brothers 3, Inc. v. Sharp, et al. . . . .	22
Sprint International Communications, Inc. v. Sharp, et al. . . . .	71
SRI Receivables, Inc. v. Rylander, et al. . . . .	131
Star-Kist Foods, Inc. v. Sharp, et al. . . . .	23
Star-Kist Foods, Inc. v. Sharp, et al. . . . .	22
Star-Kist Foods, Inc. v. Rylander, et al. . . . .	23
State Farm Life Insurance Co. v. Cornyn, Rylander, et al. . . . .	90
Steamatic of Austin, Inc., et al. v. Sharp, et al. . . . .	131
Steen, Steven G. v. State of Texas, Secretary of State . . . . .	132
Sternberg, Bruce Lee v. Sharp, et al. . . . .	132
Summit Photographix, Inc. v. Rylander, et al. . . . .	71
TCCT Real Estate, Inc. as Successor to TCC Austin Industrial Overhead v. Rylander, et al. . . . .	72
TCCT Real Estate, Inc. v. Rylander, et al. . . . .	72
Tennessee Gas Pipeline Co. v. Sharp, et al. . . . .	73
Tesoro Petroleum Corp. v. Sharp, et al. . . . .	24
Texaco Refining & Marketing (East), Inc. v. Rylander, et al. . . . .	24
Texas Aromatics, Inc. v. Sharp, et al. . . . .	24
Texas Gulf, Inc. v. Bullock, et al. . . . .	74
Texas Workers' Compensation Insurance Facility v. Comptroller, et al. . . . .	91
Texas Workers' Compensation Insurance Facility v. Comptroller . . . . .	90
Thurman, Kay G. and Merlene G. Stroud v. Sharp . . . . .	133
Transcontinental Gas Pipeline Corp. v. Rylander, et al. . . . .	74
Travis Co., et al. v. Lot 1, Baker Dale Addn. . . . .	106
U.S. Home Corp. v. Rylander, et al. . . . .	26

U.S. On-Line Cable v. Rylander, et al. . . . .	76
Union Carbide Chemicals & Plastics Co., Inc. v. Sharp, et al. . . . .	133
Union Carbide Corp. v. Rylander, et al. . . . .	74
Union Fidelity Life Insurance Co. v. Rylander, et al. . . . .	91
Union Pacific Resources Co. v. Sharp, et al. . . . .	25
Union Pacific Resources Co. v. Sharp, et al. . . . .	133
Union Standard Insurance Co. v. Rylander, et al. . . . .	106
Unit 82 Joint Venture v. Rylander, et al. . . . .	75
United American Insurance Co. v. Rylander, et al. . . . .	92
United Beverage Co. v. Rylander, et al. . . . .	134
United Services Automobile Association v. Sharp, et al. . . . .	75
Universal Frozen Foods Co., its Successors-in-Interest, Conagra, Inc. and Lamb Weston, Inc., and Universal Foods Corp. v. Sharp, et al. . . . .	25
Universe Life Insurance Co. v. State of Texas . . . . .	92
Universe Life Insurance Co., The v. Cornyn, et al. . . . .	93
Upjohn Co., The v. Sharp, et al. . . . .	26
USA Waste Services of Houston, Inc. v. Rylander, et al. . . . .	76
Valentine ISD v. Comptroller . . . . .	106
Vallado, Jan Clopton, Independent Executor of Estate of Marion Wallace Clopton, Jr. v. Sharp, et al. . . . .	134
Wal-Mart Stores, Inc. v. Sharp, et al. . . . .	134
Waller Hotel Group, Inc. v. Sharp, et al. . . . .	77
Warranty Underwriters Insurance Co. v. Rylander, et al. . . . .	93
Weight Watchers Food Co. v. Sharp, et al. . . . .	27
Weight Watchers Gourmet Food Co. v. Rylander, et al. . . . .	27
West Texas Gas, Inc. v. Sharp, et al. . . . .	135
West Texas Pizza, Limited Partnership v. Sharp, et al. . . . .	77
Westar Hotels, Inc. v. Sharp, et al. . . . .	77
Westcott Communications, Inc., Law Enforcement Television Network, Inc., Westcott ECI, Inc. and TI-IN Acquisition Corp. v. Sharp, et al. . . . .	28
Wheelabrator Corp., The and Swindell Dressler Leasing Co. v. Sharp, et al. . . . .	28
Whitesboro ISD, et al. v. Texas Comptroller of Public Accounts . . . . .	135
Wiking Demolition Corp. v. the State of Texas, the Cities of San Antonio and Houston, Texas, the Transit Authority of San Antonio, Texas, John Cornyn, and Carole Keeton Rylander v. Sharp, et al. . . . .	136
Xerox Credit Corp. v. Rylander, et al. . . . .	29
Young's Beer Barn, Inc. v. Sharp . . . . .	78

## Franchise Tax

### **3 Beall Brothers 3, Inc. v. Rylander, et al.** Cause #GN002755

AG Case #001354026

Franchise Tax; Refund Filed: 09/15/00 Period: 1993 Amount: \$265,995	Asst. AAG Assigned:  Plaintiff's Counsel:	Christine Monzingo  Mark W. Eidman Ray Langenberg Scott, Douglass & McConnico Austin
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Issue: Whether the franchise tax was applied retroactively to deny Plaintiff a business loss carry forward. Whether the officer and director compensation add-back is unconstitutional.

Status: Answer filed.

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### **AirBorn, Inc. v. Rylander, et al.** Cause #99-08165

AG Case #99-1189192

Franchise Tax; Refund Filed: 07/15/99 Period: 1992-1995 Amount: \$109,612.26	Asst. AAG Assigned:  Plaintiff's Counsel:	Christine Monzingo  Mark W. Eidman Ray Langenberg Scott, Douglass & McConnico Austin
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Issue: Whether the Comptroller incorrectly calculated apportioned gross receipts by applying the throw-back rule to receipts from states where Plaintiff was subject to tax. Whether application of the rule violates the commerce clause. Whether Plaintiff's right to do business was unconstitutionally taken by retroactively shortening its privilege period in the 1991 amendments to the franchise tax.

Status: Answer filed. See *Comptroller v. Fisher Controls* and *General Dynamics v. Sharp*.

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**American General Corp. v. Rylander, et al.** Cause #GN003178  
AG Case #001375419

Franchise Tax; Protest Filed: 10/31/00 Period: 1994-1998 Amount: \$2,131,754.78	Asst. AAG Assigned:  Plaintiff's Counsel:	Christine Monzingo  Mark W. Eidman Ray Langenberg Eric Hagenswold Scott, Douglass & McConnico Austin
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Issue: Whether intercorporate receipts should be excluded from gross receipts. Whether certain obligations were debts. Whether the Comptroller's application of the debt deduction statute violates equal protection. Whether an indirect tax on post-retirement benefits violates ERISA and the supremacy doctrine. Whether interest should be waived. Whether the assessment violates equal taxation, equal protection, due process, commerce clause, the Tax Code, the Administrative Code, was in excess of statutory authority, was made through unlawful procedure, and was arbitrary and capricious.

Status: Answer filed.

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**Anderson-Clayton Bros. Funeral Home, Inc.; Restland of Dallas, Inc., Restland Funeral Home; Singing Hills Funeral Homes, Inc., Laurel Land Funeral Home of Fort Worth, Inc., Blue Bonnet Hills Funeral Home, Inc., and Blue Bonnet Hills Memorial Park, Inc. v. Rylander, et al.** Cause #99-12183  
AG Case #99-1227646

Franchise Tax; Refund Filed: 10/18/99 Period: 1993-1996 Amount: \$407,212.91 \$107,861.97	Asst. AAG Assigned:  Plaintiff's Counsel:	Christopher Jackson  Michael Rubenstein Locke, Liddell & Sapp Houston
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Issue: Whether income earned on Plaintiff's trust accounts for prepaid funeral services gives rise to Texas gross receipts.

Status: Answer filed.

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**Bandag Licensing Corp. v. Sharp, et al.** Cause #98-06931  
#03-99-00427-CV  
AG Case #98-985094

Franchise Tax; Protest  
Filed: 06/29/98  
Period: 1990-1993  
Amount: \$274,831

Asst. AAG Assigned:

Gene Storie

Plaintiff's Counsel:

Gilbert J. Bernal, Jr.  
James F. Martens  
Stahl, Martens & Bernal  
Austin

Issue: Whether Plaintiff has nexus with Texas for franchise tax purposes because it holds a certificate of authority.

Status: Judgment for plaintiff. Appeal in progress. Oral argument had on 02/02/00. Third Court of Appeals affirms in all respects. Petition for review filed. Court requested Response; filed 08/24/00. Court requested briefing on the merits. Petitioners' brief filed. Respondent's brief and Petitioners' reply briefs filed. Petition denied 01/11/01. Petitioners' motion for rehearing filed.

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**Beef Products, Inc. v. Rylander, et al.** Cause #99-01193  
AG Case #99-1112061

Franchise Tax; Protest  
Filed: 02/01/99  
Period: 1992 and 1993  
Amount: \$331,040.60

Asst. AAG Assigned:

Christine Monzingo

Plaintiff's Counsel:

Tom Tourtellotte  
Tourtellotte & Kennon  
Austin

Issue: Whether the Comptroller properly applied the throw-back rule to apportion gross receipts under the pre-amended statute. Whether the throw-back rule violates the commerce clause. Whether the rule as applied is unconstitutionally retroactive and violates due process.

Status: Answer filed. See *Comptroller v. Fisher Controls International, Inc.*

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**Dana Corp. v. Sharp, et al.** Cause #96-03598  
AG Case #96-494234

Franchise Tax; Protest Filed: 3/28/96 Period: 1988-1991 Amount: \$804,971	Asst. AAG Assigned:  Plaintiff's Counsel:	Jim Cloudt  David E. Cowling Sheryl S. Scovell Jones, Day, Reavis & Pogue Dallas
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Issue: Whether certain reserve accounts, including post-retirement benefits, are debt for franchise tax purposes. Whether Tax Code §171.109 (j)(1) is preempted by ERISA.

Status: Answer filed.

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**Delco Electronics Corp. v. Sharp, et al.** Cause #97-12045  
AG Case #97-843052

Franchise Tax; Refund Filed: 10/22/97 Period: 1992-1995 Amount: \$536,478	Asst. AAG Assigned:  Plaintiff's Counsel:	Christine Monzingo  L.G. "Skip" Smith Clark, Thomas & Winters Austin
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Issue: Whether interest, rental and royalty income earned by Plaintiff should not be included in income because it was derived from discrete business enterprises that served an investment, rather than an operational function, and the activities producing the income were not part of the unitary business conducted by Plaintiff in Texas.

Status: Non-jury trial set for 06/11/01.

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**El Paso Electric Co. v. Sharp, et al.** Cause #96-07178  
AG Case #96-547384

Franchise Tax; Refund Filed: 06/09/96 Period: 1988-1989 Amount: \$36,289	Asst. AAG Assigned:  Plaintiff's Counsel:	Jim Cloudt  David H. Gilliland Clark, Thomas & Winters Austin
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Issue: Whether unfunded pension liability is a debt that should be deducted from taxable surplus.

Status: All other issues settled 12/04/98. Discovery in progress.

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***Fisher Controls International, Inc. v. Sharp, et al.*** Cause #98-08893

#03-00-00183-CV

AG Case #98-1020621

Franchise Tax; Protest

Filed: 08/11/98

Period: 1992-1993

Amount: \$1,209,209

Asst. AAG Assigned:

Plaintiff's Counsel:

Christine Monzingo

Gilbert J. Bernal, Jr.

James F. Martens

Stahl, Martens & Bernal

Austin

Issue: Whether the phrase "is not subject to taxation" means the same thing in the earned surplus throw-back statute as it does in the taxable capital throw-back statute; whether the "throw-back" statute is constitutional; whether the Comptroller retroactively applied an amendment.

Status: Non-jury trial held 12/13/99. Judgment for Plaintiff 12/21/99 on the statutory construction issue. Constitutional issue was not reached. Notice of Appeal filed 03/20/00. Appellants' and Appellee's briefs filed. Argued before the Third Court of Appeals 10/18/00.

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***General Motors Corp. v. Sharp, et al.*** Cause #97-12350

#03-00-00247-CV

AG Case #97-843800

Franchise Tax; Refund

Filed: 10/31/97

Period: 1991-1994

Amount: \$18,788,858

Asst. AAG Assigned:

Plaintiff's Counsel:

Christine Monzingo

L. G. "Skip" Smith

Clark, Thomas & Winters

Austin

Issue: Whether post-retirement benefits, if included in surplus by the Comptroller, violate the preemption provision of ERISA. Operating lease obligations--Whether amounts due under fixed term leases are excludable from surplus as debt.

Status: Plaintiff challenges the decision in *Sharp v. Caterpillar*, 932 S.W. 2d 230 (Tex. App. - Austin 1996, writ denied). Summary judgment granted for Comptroller 03/23/00. Third Court of Appeals reaffirmed *Caterpillar* in a 12/07/00 opinion that is not to be published. Plaintiff filed a petition for review 02/22/01. The Comptroller will be filing a waiver of response on 02/15/01.

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**Gulf Publishing Co. v. Sharp, et al.** Cause #98-04208  
AG Case #98-942862

Franchise Tax; Refund Filed: 04/22/98 Period: 1992-1995 Amount: \$218,713	Asst. AAG Assigned:  Plaintiff's Counsel:	Blake Hawthorne  Ray Bonilla Ray Wood Fine & Bonilla Austin
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Issue: Whether all of Gulf Publishing Company's magazine advertising revenue should be allocated to Texas receipts or should be allocated according to location of subscriber.

Status: Discovery in progress. Hearing on Motion for Summary Judgment set for 12/11/00. Hearing passed. Motion to be reset.

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**H.J. Heinz Co., Inc. v. Sharp, et al.** Cause #98-10929  
AG Case #98-1052103

Franchise Tax; Protest Filed: 09/28/98 Period: 1992-1995 Amount: \$534,056	Asst. AAG Assigned:  Plaintiff's Counsel:	Christine Monzingo  L. G. "Skip" Smith Clark, Thomas & Winters Austin  Marilyn A. Wethekam Horwood Marcus & Berk Chicago
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Issue: Whether Plaintiffs are entitled to a deduction from earned surplus gross receipts of receipts from sales of food shipped from outside Texas to Texas purchasers. See Tax Code §§151.314(a), 171.104, and 171.103(1).

Status: Agreed motion to retain on suspense docket filed. See *Upjohn v. Comptroller, S.W. 3d (Tex. App. Austin, pet. filed)*.

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**H.J. Heinz Co., Inc. v. Sharp, et al.** Cause #98-12746  
AG Case #98-1079312

Franchise Tax; Protest  
Filed: 11/12/98  
Period: 1992-1995  
Amount: \$29,244

Asst. AAG Assigned:  
  
Plaintiff's Counsel:

Christine Monzingo  
  
L. G. "Skip" Smith  
Clark, Thomas & Winters  
Austin  
  
Marilyn A. Wethekam  
Horwood Marcus & Berk  
Chicago

Issue: Whether Plaintiffs are entitled to a deduction from earned surplus gross receipts of receipts from sales of food shipped from outside Texas to Texas purchasers. See Tax Code §§ 151.314(a), 171.104, and 171.103(1).

Status: Agreed motion to retain on suspense docket filed. See *Upjohn v. Comptroller, S.W. 3d (Tex. App. Austin, pet. filed)*.

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**H.J. Heinz Co. v. Rylander, et al.** Cause #99-05828  
AG Case #99-1168451

Franchise Tax; Refund  
Filed: 05/19/99  
Period: 1994 & 1995  
Amount: \$384,530 &  
\$381,167

Asst. AAG Assigned:  
  
Plaintiff's Counsel:

Cecilia Gonzalez  
  
L.G. "Skip" Smith  
Clark, Thomas & Winters  
Austin  
  
Marilyn A. Wethekam  
Horwood Marcus & Berk  
Chicago

Issue: Whether gross receipts from sale of food products should be included in calculating the earned surplus component of the franchise tax. Whether gross receipts for food shipped from out-of-state to Texas storage and distribution centers should be included in the franchise tax formula. Whether inclusion of receipts from food products in tax formula violates due process, equal protection or equal taxation or the Texas Constitution's prohibition of tax on farm products.

Status: Answer filed. Should be resolved as for *Nabisco* and *Upjohn*.

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**Harcourt Brace Jovanovich Legal & Professional, HBJ Farm Publications, Psychological Corp., Drake Beam Morin, Inc. and Holt Rinehart & Winston, Inc. v. Sharp, et al.** Cause #97-03795

AG Case #97-706290

Franchise Tax; Protest and Declaratory Judgment  
Filed: 03/28/97  
Period: 1987-1990  
1989-1991  
1988-1991  
Amount: \$243,469 (total of all)

Asst. AAG Assigned:

Blake Hawthorne

Plaintiff's Counsel:

Jess M. Irwin, III  
Steven D. Moore  
Jackson & Walker  
Austin

Issue: Whether intercompany payable account obligations should have been excluded from debt for purposes of calculating franchise tax. Attorneys fees.

Status: Discovery in progress.

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**House of Lloyd, Inc. v. Sharp, et al.** Cause #95-06985

AG Case #95-300365

Franchise Tax; Refund  
Filed: 06/05/95  
Period: 1989-1991  
Amount: \$19,825

Asst. AAG Assigned:

Christine Monzingo

Plaintiff's Counsel:

Fred O. Marcus  
Horwood, Marcus & Braun  
Chicago

David E. Cowling  
Jones, Day, Reavis & Pogue  
Dallas

Issue: Whether the Texas franchise tax is a tax imposed on or measured by net income for purposes of Public Law 86-272; if so, Plaintiff contends that it is not subject to the Texas franchise tax. Whether Plaintiff is doing business in Texas. Whether post-retirement benefits should be included in taxable surplus.

Status: Hearing on cross-motions for summary judgment postponed.

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**House of Lloyd, Inc. v. Sharp, et al.** Cause #95-06986  
AG Case #95-300338

Franchise Tax; Refund  
Filed: 06/05/95  
Period: 1992  
Amount: \$106,136

Asst. AAG Assigned:

Christine Monzingo

Plaintiff's Counsel:

Fred O. Marcus  
Horwood, Marcus & Braun  
Chicago

David E. Cowling  
Jones, Day, Reavis & Pogue  
Austin

Issue: Whether the Texas franchise tax is a tax imposed on or measured by net income for purposes of Public Law 86-272; if so, Plaintiff contends that it is not subject to the Texas franchise tax. Whether Plaintiff is doing business in Texas. Whether post-retirement benefits should be included in taxable surplus.

Status: Hearing on cross-motions for summary judgment postponed.

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**Jiffy Lube International, Inc. v. Rylander, et al.** Cause #99-12043  
AG Case #99-1226747

Franchise Tax; Refund  
Filed: 10/13/99  
Period: 1992  
Amount: \$34,768.59

Asst. AAG Assigned:

Blake Hawthorne

Plaintiff's Counsel:

Gerard A. Desrochers  
Baker Botts  
Houston

Issue: Whether the Comptroller's assessment of additional franchise tax is untimely and void. Alternatively, whether Plaintiff's post retirement benefits should be considered wages under Section 171.109(j)(1), whether disparate treatment of contingent assets such as Plaintiff's net negative deferred income tax liability is unconstitutional, and whether a portion of the assessed interest should have been waived.

Status: Discovery in progress.

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**Kerrville Telephone Co., The v. Rylander, et al.** Cause #GN00058  
AG Case #001258219

Franchise Tax; Protest & Refund	Asst. AAG Assigned:	Blake Hawthorne
Filed: 01/05/00	Plaintiff's Counsel:	C. Morris Davis
Period: 1992-1995		McGinnis, Lochridge & Kilgore
Amount: \$48,437.57		Austin

Issue: Whether receipts from access and billing charges to inter-exchange carriers and from subscriber line charges are Texas gross receipts. Whether the Comptroller failed to follow Rule 3.357 (e)(39), thereby denying due process to Plaintiff.

Status: Answer filed.

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**Lyondell Chemical Worldwide, Inc., formerly known as Arco Chemical Co. v. Rylander, et al.** Cause #99-13283  
AG Case #99-1238130

Franchise Tax; Protest & Declaratory Judgment	Asst. AAG Assigned:	Christine Monzingo
Filed: 11/12/99	Plaintiff's Counsel:	Kim E. Brightwell
Period: 1999		Garry M. Miles
Amount: \$34,100,000		Wade Anderson
		Vinson & Elkins
		Austin

Issue: Whether Rule 3.557 is invalid because it required Plaintiff to apportion its gross receipts as a sale of all of its assets to a new parent corporation when the new parent purchased Plaintiff's stock in a transaction under I.R.C. §338. Whether requiring Plaintiff to treat the transaction as an actual sale violates equal protection, equal taxation and due process.

Status: Settled.

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**May Department Stores Co., The v. Sharp, et al.** Cause #98-06899  
AG Case #98-983559

Franchise Tax; Refund Filed: 06/26/98 Period: 1991-1995 Amount: \$207,375	Asst. AAG Assigned:  Plaintiff's Counsel:	Christine Monzingo  L. G. "Skip" Smith Clark, Thomas & Winters Austin
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Issue: Whether Plaintiff's officer and director compensation should be added to taxable surplus for franchise tax purposes.

Status: Agreed motion to retain on suspense docket pending *Palais Royal & 3 Beall Brothers 3, Inc. v. Comptroller*.

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**MC Corp v. Sharp, et al.** Cause #93-11603  
AG Case #93-354695

Franchise Tax; Refund Filed: 09/28/93 Period: 1985 & 1986 Amount: \$489,667	Asst. AAG Assigned:  Plaintiff's Counsel:	Christopher Jackson  Cynthia M. Ohlenforst Jill B. Scott Hughes & Luce Dallas & Austin
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Issue: Whether Plaintiff may deduct from its surplus the pre-acquisition earnings of certain acquired subsidiaries.

Status: Answer filed. Inactive. Plaintiff in bankruptcy.

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**Network Security Acceptance Corp., as Successor in Interest to Network Security Corp. v. Sharp, et al.** Cause #95-15698  
AG Case #96-437029

Franchise Tax; Protest Filed: 12/21/95 Period: 1986-1987 Amount: \$355,619	Asst. AAG Assigned:  Plaintiff's Counsel:	Christine Monzingo  David E. Cowling Jones, Day, Reavis & Pogue Dallas
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Issue: Whether acquisition debt incurred by an acquiring corporation must be pushed down to the acquired corporation.

Status: Inactive.

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**North Star Steel Texas, Inc. v. Sharp, et al.** Cause #98-12019

AG Case #98-1071152

Franchise Tax; Refund Filed: 10/23/98 Period: 1992-1995 Amount: \$725,830	Asst. AAG Assigned:  Plaintiff's Counsel:	Christine Monzingo  James F. Martens Gilbert J. Bernal, Jr. Stahl, Martens & Bernal Austin
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Issue: Whether Comptroller properly interpreted throw-back rule for purposes of gross receipts apportionment factor.

Status: Inactive pending *Comptroller v. Fisher Controls, Inc.*, which was argued 10/18/00 to the Third Court of Appeals.

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**Ore-Ida Foods, Inc. v. Sharp, et al.** Cause #98-10928

AG Case #98-1052897

Franchise Tax; Protest Filed: 09/28/98 Period: 1992-1995 Amount: \$744,167	Asst. AAG Assigned:  Plaintiff's Counsel:	Christine Monzingo  L. G. "Skip" Smith Clark, Thomas & Winters Austin  Marilyn A. Wethekam Horwood Marcus & Berk Chicago
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Issue: Whether Plaintiffs are entitled to a deduction from earned surplus gross receipts of receipts from sales of food shipped from outside Texas to Texas purchasers. See Tax Code §§151.314(a), 171.104, and 171.103(1).

Status: Answer filed. See *Upjohn v. Comptroller, S.W. 3d (Tex. App. Austin 2000, pet. filed)*.

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**Ore-Ida Foods, Inc. v. Sharp, et al.** Cause #98-12747  
AG Case #98-1079320

Franchise Tax; Protest  
Filed: 11/12/98  
Period: 1992-1994  
Amount: \$14,050

Asst. AAG Assigned:

Christine Monzingo

Plaintiff's Counsel:

L. G. "Skip" Smith  
Clark, Thomas & Winters  
Austin

Marilyn A. Wethekam  
Horwood Marcus & Berk  
Chicago

Issue: Whether Plaintiffs are entitled to a deduction from earned surplus gross receipts of receipts from sales of food shipped from outside Texas to Texas storage and distribution facilities and subsequently sold to Texas purchasers. See Tax Code §§ 151.314(a), 171.104, and 171.103(1).

Status: Agreed Motion to Retain on suspense docket pending. See *Upjohn v. Comptroller, S.W. 3d (Tex. App. Austin 2000, pet. filed)*.

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**Ore-Ida Foods, Inc. v. Rylander, et al.** Cause #99-05827  
AG Case #99-1168535

Franchise Tax; Refund  
Filed: 05/19/99  
Period: 1994 & 1995  
Amount: \$324,051 &  
\$90,910

Asst. AAG Assigned:

Cecilia Gonzalez

Plaintiff's Counsel:

L.G. "Skip" Smith  
Clark, Thomas & Winters  
Austin

Marilyn A. Wethekam  
Horwood Marcus & Berk  
Chicago

Issue: Whether gross receipts from sale of food products should be included in calculating the earned surplus component of the franchise tax. Whether inclusion of receipts from food products in tax formula violates due process, equal protection or equal taxation or the Texas Constitution's prohibition of tax on farm products.

Status: Answer filed. Should be resolved as for *Upjohn*.

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**Palais Royal, Inc. and 3 Beall Brothers 3, Inc. v. Sharp, et al.** Cause #96-03719  
AG Case #96-495867

Franchise Tax; Protest Filed: 04/01/96 Period: 1992-1993 (3 Beall) 1992-1995 (Palais) Amount: \$700,974	Asst. AAG Assigned:  Plaintiff's Counsel:	Christine Monzingo  Mark W. Eidman Ray Langenberg Scott, Douglass & McConnico Austin
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Issue: Whether the 1991 Franchise Tax Statute is unconstitutionally retroactive as applied to the 1992 report year of a fiscal year taxpayer. Whether the officer-director add-back statute is unconstitutional under equal taxation provisions. Whether the implementation of the earned surplus tax component violated due process.

Status: Trial court granted Plaintiffs' motion for summary judgment on the due process, retroactivity, and equal tax issues, and granted the State's on the officer-director issue. Judgment signed 01/29/01.

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**Peter Scalamandre & Sons, Inc. et al. v. Sharp, et al.** Cause #95-01183  
AG Case #95-220184

Franchise Tax; Protest Filed: 01/31/95 Period: 06/92-12/94 Amount: \$2,465	Asst. AAG Assigned:  Plaintiff's Counsel:	Gene Storie  Susan E. Potts Brown & Potts Dallas  Mark Gibbons Olson, Gibbons, Sartain, Nicoud, Birne & Sussman Dallas
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Issue: Whether Plaintiff is exempt from franchise tax as a "corporation engaged solely in the business of recycling sludge" per §171.085 of the Tax Code.

Status: Inactive.

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**Pfizer, Inc. v. Rylander, et al.** Cause #GN001781  
AG Case #001323641

Franchise Tax; Protest Filed: 06/20/00 Period: 1994-1996 Amount: \$309,078	Asst. AAG Assigned:  Plaintiff's Counsel:	Christine Monzingo  Mark W. Eidman Scott, Douglass & McConnico Austin
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Issue: Whether franchise tax is due on income from sale of stock in former non-unitary subsidiary corporation. Whether receipts from sales of drugs shipped from outside Texas should be included in Texas' earned surplus gross receipts. Whether the throw-back rule applies to Michigan sales. Whether tax on income earned before the effective date of the earned surplus component is unconstitutional. Whether all penalty and interest should be waived.

Status: Answer filed.

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**Portion Pac, Inc. v. Sharp, et al.** Cause #98-10930  
AG Case #98-1052129

Franchise Tax; Protest Filed: 09/28/98 Period: 1992-1995 Amount: \$192,869	Asst. AAG Assigned:  Plaintiff's Counsel:	Christine Monzingo  L. G. "Skip" Smith Clark, Thomas & Winters Austin  Marilyn A. Wethekam Horwood Marcus & Berk Chicago
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Issue: Whether Plaintiffs are entitled to a deduction from earned surplus gross receipts of receipts from sales of food shipped from outside Texas to Texas purchasers. See Tax Code §§151.314(a), 171.104, and 171.103(1).

Status: See *H.J. Heinz v. Comptroller, et al, supra*.

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**Portion Pac, Inc. v. Sharp, et al.** Cause #98-12748  
AG Case #98-1079510

Franchise Tax; Protest  
Filed: 11/12/98  
Period: 1992-1995  
Amount: \$9,192

Asst. AAG Assigned:  
  
Plaintiff's Counsel:

Christine Monzingo  
  
L. G. "Skip" Smith  
Clark, Thomas & Winters  
Austin  
  
Marilyn A. Wethekam  
Horwood Marcus & Berk  
Chicago

Issue: Whether Plaintiffs are entitled to a deduction from earned surplus gross receipts of receipts from sales of food shipped from outside Texas to Texas purchasers. See Tax Code §§151.314(a), 171.104, and 171.103(1).

Status: See *H.J. Heinz v. Comptroller, et al, supra*.

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**Portion Pac, Inc. v. Rylander, et al.** Cause #99-05826  
AG Case #99-1168600

Franchise Tax; Refund  
Filed: 05/19/99  
Period: 1994 & 1995  
Amount: \$1,625 & \$13,750

Asst. AAG Assigned:  
  
Plaintiff's Counsel:

Cecilia Gonzalez  
  
L. G. "Skip" Smith  
Clark, Thomas & Winters  
Austin  
  
Marilyn A. Wethekam  
Horwood Marcus & Berk  
Chicago

Issue: Whether gross receipts from sale of food products should be included in calculating the earned surplus component of the franchise tax. Whether inclusion of receipts from food products in tax formula violates due process, equal protection or equal taxation or the Texas Constitution's prohibition of tax on farm products.

Status: Answer filed. Should be resolved as for *Upjohn*.

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**Randall's Food & Drugs, Inc. v. Rylander, et al.** Cause #GN003174  
AG Case #001375450

Franchise Tax; Protest & Refund	Asst. AAG Assigned:	Christine Monzingo
Filed: 10/31/00	Plaintiff's Counsel:	Jasper G. Taylor, III
Period: 1994-1997		Jay M. Chadha
Amount: \$4,006,942.39		Fulbright & Jaworski Houston

Issue: Whether the Comptroller's Rule 3.555(g)(3), which denies a carry forward of business losses of a merged corporation by the surviving corporation, is an unconstitutional retroactive law or a violation of Texas and Delaware statutes on mergers. Whether compensation of officers and directors should have been added back to Plaintiff's income and whether doing so violates constitutional equal taxation requirements. Whether some receipts were incorrectly treated as Texas receipts Whether surplus calculation by the Comptroller should have excluded increases from push-down accounting. Whether failure to waive penalties and interest was arbitrary. Whether the audit has calculation errors. Whether the Comptroller's determination and decision violate equal protection, due process, and other constitutional provisions.

Status: Answer filed.

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**Reliant Energy Gas Transmission Co, formerly known as Noram Gas  
Transmission Co. v. Rylander, et al.** Cause #99-08127  
AG Case #99-1187675

Franchise Tax; Refund	Asst. AAG Assigned:	Jim Cloudt
Filed: 07/15/99	Plaintiff's Counsel:	L.G. "Skip" Smith
Period: 1996		David H. Gilliland
Amount: \$163,758.10		Clark, Thomas & Winters Austin

Issue: Whether a business loss carry-forward of a merged corporation may be used to reduce the surviving corporation's franchise tax.

Status: Answer filed.

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**Richland Development Corp. v. Rylander, et al.** Cause #99-12042  
AG Case #99-1227638

Franchise Tax; Refund Filed: 10/13/99 Period: 1992 Amount: \$236,218.26	Asst. AAG Assigned:  Plaintiff's Counsel:	Blake Hawthorne  Gerard A. Desrochers Baker Botts Houston
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Issue: Whether the Comptroller's assessment of additional franchise tax is untimely and void. Alternatively, whether Plaintiff's post retirement benefits should be considered wages under Section 171.109 (j)(1), whether disparate treatment of contingent assets such as Plaintiff's net negative deferred income tax liability is unconstitutional, and whether a portion of the assessed interest should have been waived.

Status: Answer filed.

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**Richland Development Corp. v. Comptroller, et al.** Cause #96-09117  
AG Case #96-573461

Franchise Tax; Protest Declaratory Judgment Filed: 08/01/96 Period: 1989-1991 Amount: \$1,031,003	Asst. AAG Assigned:  Plaintiff's Counsel:	Christine Monzingo  Gerard A. Desrochers Baker Botts Houston
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Issue: Whether reimbursements to a subsidiary for services procured by the sub for the parent from third parties should be included in gross receipts. Whether post-retirement benefits should be deducted from surplus.

Status: First amended petition filed. Discovery in progress.

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**Saudi Refining, Inc. v. Rylander, et al.** Cause #99-04227  
AG Case #99-1155755

Franchise Tax; Refund & Protest Filed: 04/09/99 Period: 1994-1995 Amount: \$502,834.84 & \$190,000.58	Asst. AAG Assigned:  Plaintiff's Counsel:	Christopher Jackson  Ira A. Lipstet Therese L. Surprenant Jenkins & Gilchrist Austin
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Issue: Whether Plaintiff may take franchise tax credit as a joint venture partner for equipment sales taxes paid by the joint venture.

Status: Preparing discovery.

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**Schlumberger Technology Corp. v. Rylander, et al.** Cause #GN002484

AG Case #001348614

Franchise Tax; Refund &  
Declaratory Judgment

Filed: 08/23/00

Period: 1991

Amount: \$35,537

Asst. AAG Assigned:

Plaintiff's Counsel:

Christine Monzingo

Gerard A. Desrochers

Baker Botts

Houston

Issue: Whether Plaintiff's wage reserve accounts are debt for purposes of the franchise tax. Whether §171.109 is unconstitutional on its face and as applied on grounds of equal protection, equal taxation and due process. Plaintiff also seeks attorneys' fees.

Status: Answer filed.

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**Sergeant Enterprises, Inc. v. Sharp, et al.** Cause #96-15475

AG Case #97-652613

Franchise Tax; Refund

Filed: 12/31/96

Period: 1995

Amount: \$42,968

Asst. AAG Assigned:

Plaintiff's Counsel:

Jim Cloudt

Mark W. Eidman

Ray Langenberg

Scott, Douglass &

McConnico

Austin

Issue: Whether a business loss carry-forward can be transferred to another corporation by way of merger and whether Rule 3.555 prohibiting such a transfer is applicable to audit periods before the effective date of the rule.

Status: Discovery in progress.

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**Shaklee Corp. d/b/a Shaklee U.S., Inc. v. Sharp, et al.** Cause #96-06767  
AG Case #96-537466

Franchise Tax; Refund Filed: 6/10/96 Period: 1992-1993 Amount: \$10,261	Asst. AAG Assigned:  Plaintiff's Counsel:	Christine Monzingo  David E. Cowling Charlotte Noel Jones, Day, Reavis & Pogue Dallas
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Issue: Whether Plaintiff's officer and director compensation should be added to taxable surplus for franchise tax purposes.

Status: Inactive.

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**Southern Union Co. v. Sharp, et al.** Cause #95-00677  
AG Case #95-214930

Franchise Tax; Refund Filed: 01/18/95 Period: 1988-1990 Amount: \$573,449	Asst. AAG Assigned:  Plaintiff's Counsel:	Christine Monzingo  David E. Cowling Sheryl S. Scovell Jones, Day, Reavis & Pogue Dallas
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Issue: Whether a company may retroactively change from 30 to 20 year service lives and from 15% to zero salvage value in computing depreciation.

Status: Mediation scheduled for 02/27/01.

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**Southern Union Co. v. Sharp, et al.** Cause #97-01622  
AG Case #97-678873

Franchise Tax; Protest Filed: 02/11/97 Period: 1991-1993 Amount: \$217,183	Asst. AAG Assigned:  Plaintiff's Counsel:	Christine Monzingo  David E. Cowling Sheryl S. Scovell Jones, Day, Reavis & Pogue Dallas
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Issue: Whether Plaintiff should be allowed to depreciate its “distribution plant assets” over a less than thirty-year life with zero salvage value. Whether post-retirement benefits are a “debt.” If included in surplus, is preemption provision of ERISA violated.

Status: Mediation scheduled for 02/27/01.

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***Southern Union Co. v. Rylander, et al.*** Cause #GN003692

AG Case #011399409

Franchise Tax; Refund

Filed: 12/29/00

Period: 1994

Amount: \$549,983

Asst. AAG Assigned:

Plaintiff's Counsel:

Christine Monzingo

Mark W. Eidman  
Ray Langenberg  
Eric Hagenswold  
Scott, Douglass &  
McConnico  
Austin

Issue: Whether Plaintiff was required to use historical cost as the basis of assets of an acquired corporation. Whether post-retirement benefit obligations are debt. Whether disallowing deduction of post-retirement benefits violates equal protection. Whether Plaintiff may use another method to account for depreciation.

Status: Mediation scheduled for 02/27/01.

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***Southern Pacific Transportation Co. and St. Louis Southwestern Railway Co. v. Sharp*** Cause #96-11071

AG Case #96-600128

Franchise Tax; Protest

Filed: 09/13/96

Period: 1990-1993

Amount: \$779,952

(Southern Pacific)

\$171,733 (St. Louis)

Asst. AAG Assigned:

Plaintiff's Counsel:

Jim Cloudt

Mark W. Eidman  
Ray Langenberg  
Scott, Douglass &  
McConnico  
Austin

Issue: Whether push-down accounting may be used.

Status: Discovery in progress. Summary judgment set for 12/14/00. Judgment granted for Plaintiff 12/14/00.

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**Specialty Retailers, Inc. and 3 Beall Brothers 3, Inc. v. Sharp, et al.** Cause #98-01348  
AG Case #98-893255

Franchise Tax; Refund Filed: 02/06/98	Asst. AAG Assigned:	Christine Monzingo
Period: 1993 Amount: \$250,488	Plaintiff's Counsel:	Mark W. Eidman Ray Langenberg Scott, Douglass & McConnico Austin

Issue: Whether the 1993 franchise tax on earned surplus is a retroactive tax as applied to fiscal year taxpayers.

Status: Bankruptcy stay in effect. See *General Dynamics v. Sharp* and *3 Beall Brothers 3, Inc. v. Comptroller, et al.*

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**Star-Kist Foods, Inc. v. Sharp, et al.** Cause #98-10931  
AG Case #98-1052145

Franchise Tax; Protest Filed: 09/28/98	Asst. AAG Assigned:	Christine Monzingo
Period: 1992-1995 Amount: \$311,235	Plaintiff's Counsel:	L. G. "Skip" Smith Clark, Thomas & Winters Austin  Marilyn A. Wethekam Horwood Marcus & Berk Chicago

Issue: Whether Plaintiffs are entitled to a deduction from earned surplus gross receipts of receipts from sales of food shipped from outside Texas to Texas purchasers. See Tax Code §§151.314(a), 171.104, and 171.103(1).

Status: See *H.J. Heinz v. Comptroller, et al, supra.*

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**Star-Kist Foods, Inc. v. Sharp, et al.** Cause #98-12749  
AG Case #98-1080369

Franchise Tax; Protest  
Filed: 11/12/98  
Period: 1992-1995  
Amount: \$18,789

Asst. AAG Assigned:

Christine Monzingo

Plaintiff's Counsel:

L. G. "Skip" Smith  
Clark, Thomas & Winters  
Austin

Marilyn A. Wethekam  
Horwood Marcus & Berk  
Chicago

Issue: Whether Plaintiffs are entitled to a deduction from earned surplus gross receipts of receipts from sales of food shipped from outside Texas to Texas storage and distribution facilities and subsequently sold to Texas purchasers. See Tax Code §§151.314(a), 171.104, and 171.103(1).

Status: See *H.J. Heinz v. Comptroller, et al, supra*.

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**Star-Kist Foods, Inc. v. Rylander, et al.** Cause #99-05825  
AG Case #99-1168634

Franchise Tax; Refund  
Filed: 05/19/99  
Period: 1994  
Amount: \$689

Asst. AAG Assigned:

Cecilia Gonzalez

Plaintiff's Counsel:

L.G. "Skip" Smith  
Clark, Thomas & Winters  
Austin

Marilyn A. Wethekam  
Horwood Marcus & Berk  
Chicago

Issue: Whether gross receipts from sale of food products should be included in calculating the earned surplus component of the franchise tax. Whether inclusion of receipts from food products in tax formula violates due process, equal protection or equal taxation or the Texas Constitution's prohibition of tax on farm products.

Status: Answer filed. Should be resolved as for *Upjohn*.

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**Tesoro Petroleum Corp. v. Sharp, et al.** Cause #95-05170-A  
AG Case #95-277159

Franchise Tax; Refund Filed: 04/27/95 Period: 1982-1986, & 1987 Amount: \$805,943	Asst. AAG Assigned:  Plaintiff's Counsel:	Christopher Jackson  Mark W. Eidman Scott, Douglass & McConnico Austin
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Issue: Whether post-retirement medical benefits should be excluded from surplus for franchise tax purposes. Whether the statute of limitations has run on the 1982-1986 reports.

Status: Post-retirement issue severed and docketed as Cause No. 95-05170-A. Awaiting final disposition of *General Motors*. Remaining issues settled.

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**Texaco Refining & Marketing (East), Inc. v. Rylander, et al.** Cause #99-14555  
AG Case #99-1249228

Franchise Tax; Refund Filed: 12/15/99 Period: 1994 Amount: \$1,028,616.15	Asst. AAG Assigned:  Plaintiff's Counsel:	Christopher Jackson  David H. Gilliland L.G. (Skip) Smith Clark, Thomas & Winters Austin
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Issue: Whether Plaintiff is entitled to a franchise tax credit for sales tax on manufacturing equipment purchased by a joint venture that it co-owned.

Status: Answer filed.

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**Texas Aromatics, Inc. v. Sharp, et al.** Cause #94-07680  
AG Case #94-103018

Franchise Tax; Protest and Declaratory Judgment Filed: 06/23/94 Period: 02/01/90-12/31/91 Amount: \$146,092	Asst. AAG Assigned:  Plaintiff's Counsel:	Christopher Jackson  Mark W. Eidman Ray Langenberg Scott, Douglass & McConnico Austin
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Issue: Plaintiff challenges franchise "additional" tax imposed after Plaintiff merged out of existence, on the grounds that the tax discriminates without a rational basis between fiscal and calendar-year taxpayers, under state and federal equal taxation provisions, and violated the federal commerce clause nexus and fair relation tests.

Status: Preparing motion for summary judgment. Case settled. Preparing agreed judgment.

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***Union Pacific Resources Co. v. Sharp, et al.*** Cause #95-02334

AG Case #95-234473

Franchise Tax; Refund  
Filed: 02/24/95  
Period: 1988-1991  
Amount: \$1,432,851

Asst. AAG Assigned:

Steve Rodriguez

Plaintiff's Counsel:

Mark W. Eidman  
Ray Langenberg  
Scott, Douglass &  
McConnico  
Austin

Issue: Whether various liabilities should be deducted from surplus as debt, including post-retirement benefits, long-term lease obligations, long-term contractual commitments, and liabilities from ongoing litigation. Also, whether the Tax Code is preempted by ERISA.

Status: Answer filed. Pending outcome of *General Motors*.

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***Universal Frozen Foods Co., its Successors-in-Interest, Conagra, Inc. and Lamb Weston, Inc., and Universal Foods Corp. v. Sharp, et al.*** Cause #98-01956

AG Case #98-901683

Franchise Tax; Protest  
Filed: 02/23/98  
Period: 01/01/98-07/31/94  
Amount: \$613,229

Asst. AAG Assigned:

Christine Monzingo

Plaintiff's Counsel:

Ira Lipstet  
Mary E. Haught  
Jenkins & Gilchrist  
Austin

Issue: Whether the “Additional Tax” in §171.0011 is illegal income tax because franchise tax can be imposed only on the privilege of doing business in Texas. Whether the Additional Tax violates other constitutional provisions. Whether a gain on the sale of one Plaintiff’s stock from it’s parent to another company was improperly included in taxable earned surplus for the purpose of calculating the Additional Tax. Whether Rule 3.557(e)(10) is beyond the scope of §171.110 and therefore exceeds the Comptroller’s authority. Whether Rule 3.557 is unconstitutional.

Status: Discovery in progress. Cross-motions for summary judgment set for hearing on 04/16/01.

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***Upjohn Co., The v. Sharp, et al.*** Cause #98-03809

#03-00-00055-CV

AG Case #98-932917

Franchise Tax; Protest

Filed: 04/10/98

Period: 1991-1994

Amount: \$1,391,740

Asst. AAG Assigned:

Plaintiff’s Counsel:

Christine Monzingo

Ira A. Lipstet

Jenkins & Gilchrist

Austin

Issue: Whether the exclusion from Texas receipts of receipts from the sale of health care supplies found in §171.104 is restricted to the calculation of taxable capital or whether it extends to the calculation of tax on earned surplus.

Status: Judgment for Defendants on 12/29/99. Court of Appeals affirmed trial court’s judgment. Petition for review filed 12/04/00. Response due 02/21/01.

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***U.S. Home Corp. v. Rylander, et al.*** Cause #GN003082

AG Case #001372424

Franchise Tax; Refund

Filed: 10/20/00

Period: 1992 and 1993

Amount: \$46,607.88

Asst. AAG Assigned:

Plaintiff’s Counsel:

Christopher Jackson

D. Steven Henry

Gregory A. Harwell

Robert M. Reed, Jr.

Gardere & Wynne

Dallas

Issue: Whether Plaintiff is entitled to write down or write off the value of its investment in bankrupt subsidiaries.

Status: Answer filed.

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**Weight Watchers Food Co. v. Sharp, et al.** Cause #98-10927  
AG Case #98-1052137

Franchise Tax; Protest Filed: 09/28/98 Period: 1992-1995 Amount: \$122,677	Asst. AAG Assigned:  Plaintiff's Counsel:	Christine Monzingo  L. G. "Skip" Smith Clark, Thomas & Winters Austin  Marilyn A. Wethekam Horwood Marcus & Berk Chicago
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Issue: Whether Plaintiffs are entitled to a deduction from earned surplus gross receipts of receipts from sales of food shipped from outside Texas to Texas purchasers. See Tax Code §§151.314(a), 171.104, and 171.103(1).

Status: See *H.J. Heinz v. Comptroller, et al, supra*.

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**Weight Watchers Gourmet Food Co. v. Rylander, et al.** Cause #99-05829  
AG Case #99-1168527

Franchise Tax; Refund Filed: 05/19/99 Period: 1994 Amount: \$62,417	Asst. AAG Assigned:  Plaintiff's Counsel:	Cecilia Gonzalez  L.G. "Skip" Smith Clark, Thomas & Winters Austin  Marilyn A. Wethekam Horwood Marcus & Berk Chicago
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Issue: Whether gross receipts from sale of food products should be included in calculating the earned surplus component of the franchise tax. Whether gross receipts for food shipped from out-of-state to Texas storage and distribution centers should be included in the franchise tax formula. Whether inclusion of receipts from food products in tax formula violates due process, equal protection or equal taxation or the Texas Constitution's prohibition of tax on farm products.

Status: Answer filed. Should be resolved as for *Upjohn*.

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**Westcott Communications, Inc., Law Enforcement Television Network, Inc.,  
Westcott ECI, Inc. and TI-IN Acquisition Corp. v. Sharp, et al.** Cause #98-14049  
AG Case #99-1093113

Franchise Tax; Protest Filed: 12/17/98	Asst. AAG Assigned:	Blake Hawthorne
Period: 01/01/92-12/31/94 Amount: \$1,182,242.67	Plaintiff's Counsel:	Mark W. Eidman Ray Langenberg Steve Wingard Scott, Douglass & McConnico Austin

Issue: Whether apportionment of satellite service gross receipts to Texas violates the commerce, due process or equal protection clauses of the Constitution or the Tax Code and Comptroller rules apportioning receipts to the state where a service is performed. Alternatively, whether interest should be waived.

Status: Inactive.

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**Wheelabrator Corp., The and Swindell Dressler Leasing Co. v. Sharp, et al.**  
Cause #98-00942  
AG Case #98-891532

Franchise Tax; Protest Filed: 01/23/98	Asst. AAG Assigned:	Jim Cloudt
Period: 1990-1993 Amount: \$38,482 \$473,678	Plaintiff's Counsel:	Gilbert J. Bernal, Jr. James F. Martens Stahl, Martens & Bernal Austin

Issue: Whether intercompany payable account obligations should have been excluded from debt for purposes of calculating franchise tax.

Status: Discovery in progress. Trial set for 06/11/01.

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**Xerox Credit Corp. v. Rylander, et al.** Cause #99-06232  
AG Case #99-1172602

Franchise Tax; Protest

Filed: 05/28/99

Period: 1992-1999

Amount: \$2,290,821.39

Asst. AAG Assigned:

Plaintiff's Counsel:

Christine Monzingo

James F. Martens  
Gilbert J. Bernal, Jr.  
Stahl, Martens & Bernal  
Austin

Issue: Whether transfers of accounts receivables were sales or pledges for federal income and franchise tax apportionment purposes. Whether non-Texas capital gains were improperly offset by capital losses inconsistently with apportionment provisions of the franchise tax. Whether taxpayer had constitutional nexus with Texas. Whether taxpayer was denied equal protection. Whether interest and penalty should be waived. Taxpayer also seeks declaratory judgment and attorneys' fees.

Status: Trial set for 12/10/01.

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## Sales Tax

***Abbassinezhad, Akbar v. Rylander, et al.*** Cause #99-03696

AG Case #99-1152422

Sales Tax; Declaratory Judgment	Asst. AAG Assigned:	Jim Cloudt
Filed: 03/29/99	Plaintiff's Counsel:	Max J. Luther, III
Period: 01/01/93-09/30/96		Max J. Luther, III, P.C. & Associates
Amount: \$50,061.22		Corpus Christi

Issue: Whether the amounts subjected to sales tax in audit were taxable receipts or loan monies. Also, asserting individual liability against Comptroller and Attorney General.

Status: Answer filed.

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***Alexopolous, Dimitrios P. v. Rylander, et al.*** Cause #99-08096

AG Case #99-1187865

Sales Tax; Declaratory Judgment	Asst. AAG Assigned:	Blake Hawthorne
Filed: 07/14/99	Plaintiff's Counsel:	Stephen W. Sather
Period: 07/01/88-03/31/95		Naman, Howell, Smith & Lee
Amount: \$134,455.65		Austin

Issue: Issue is whether the Comptroller incorrectly calculated Plaintiff's gross taxable sales by using too low a factor for Plaintiff's personal consumption, improperly comparing Plaintiff's operations to other fast-food outlets, failing to consider that higher subsequent sales were due to population increases, determining that Plaintiff kept inadequate records when Plaintiff had lost them in a fire, and failing to consider the results of an IRS audit. Whether penalty and interest should be waived.

Status: Discovery in progress. Trial set 04/16/01.

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**Alpine Industries, Inc. v. Sharp, et al.** Cause #98-12998  
AG Case #98-1080526

Sales Tax; Protest Filed: 11/20/98 Period: 1994-1998 Amount: \$31,128.62	Asst. AAG Assigned:  Plaintiff's Counsel:	Blake Hawthorne  Stephen D. Good Gregory A. Harwell Gardere & Wynne Dallas
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Issue: Whether Alpine may be regarded as a seller for direct sales made in Texas by independent dealers and whether holding Alpine liable for sales tax violates the commerce clause, due process or equal protection.

Status: Discovery in progress.

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**American Oil Change Corp. v. Rylander, et al.** Cause #99-06374  
AG Case #99-1175084

Sales Tax; Protest Filed: 06/03/99 Period: 1992-1993 Amount: \$467,142.31	Asst. AAG Assigned:  Plaintiff's Counsel:	Christopher Jackson  Gerard A. Desrochers Baker Botts Houston
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Issue: Whether materials are provided by Plaintiff to its customers in the course of its motor vehicle repairs under lump sum contracts, requiring Plaintiff to pay tax on the cost of materials. If Plaintiff's contracts are lump sum, whether Plaintiff is entitled to credit for tax collected from its customers and remitted to the Comptroller. Whether software services are taxable when the seller of the services contributes rather than sells the software itself. Whether software services are exempt under §151.346 as sales between affiliated entities of previously exempt services. Whether interest should have been waived. Whether any of the above issues result in a denial of equal protection, equal and uniform taxation or due process under the federal and state constitutions.

Status: Answer filed.

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**American Standard, Inc. v. Sharp, et al.** Cause #92-14483  
AG Case #92-165918

Sales Tax; Refund Filed: 10/13/92 Period: 01/01/90-12/31/90 Amount: \$17,486	Asst. AAG Assigned:  Plaintiff's Counsel:	Cecilia Gonzalez  Judy M. Cunningham Attorney at Law Austin
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Issue: Whether conveyor belts are exempt machinery and equipment; unequal taxation; long-standing policy.

Status: Answer filed. Settlement discussions in progress.

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**American Telephone & Telegraph Co. v. Sharp, et al.** Cause #98-06401  
AG Case #98-980491

Sales Tax; Protest Filed: 06/15/98 Period: 01/01/84-12/31/89 Amount: \$8,024,506	Asst. AAG Assigned:  Plaintiff's Counsel:	Jim Cloudt  Jasper G. Taylor, III Fulbright & Jaworski Houston
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Issue: Whether the Comptroller's Office met its burden of proof with respect to the items assessed tax in Exams 9, 10, 12, 13, and 17. Whether Plaintiff's private line services are taxable telecommunications services and, if so, whether they were not subject to tax before 04/01/88.

Status: Answer filed.

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**Aramis Services, Inc. v. Sharp, et al.** Cause #98-03527  
AG Case #98-930349

Sales Tax; Protest Filed: 04/03/98 Period: 04/01/90-03/31/94 Amount: \$291,196	Asst. AAG Assigned:  Plaintiff's Counsel:	Christopher Jackson  David E. Cowling Jones, Day, Reavis & Pogue Dallas
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Issue: Whether written and other promotional materials incurred use tax when delivered into Texas to retailers. Issue of when and where ownership rights existed.

Status: Settlement discussions in progress.

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**Aramis Services, Inc. v. Rylander, et al.** Cause #0000384  
AG Case #001273051

Sales Tax; Protest Filed: 02/11/00 Period: 04/01/94-12/31/97 Amount: \$281,676.36	Asst. AAG Assigned:  Plaintiff's Counsel:	Christopher Jackson  David E. Cowling Robert Lochridge Jones, Day, Reavis & Pogue Dallas
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Issue: Whether written and other promotional materials incurred use tax when delivered into Texas to retailers. Issue of when and where ownership rights existed. Whether Rule 3.346(b)(3)(A) is invalid and whether the Comptroller has authority to change its long-standing policy. Alternatively, whether penalty should be waived.

Status: Settlement discussions in progress.

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**Baldry, Ann d/b/a Annie's Housekeeping Services v. Sharp, et al.** Cause #95-02389  
AG Case #95-234990

Sales Tax; Declaratory Judgment Filed: 2/27/95 Period: 04/01/88-06/30/92 Amount: \$63,588	Asst. AAG Assigned:  Plaintiff's Counsel:	Steve Rodriguez  Alvin L. Thomas, II Littler, Mendleson & Fastiff Houston
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Issue: Whether sales tax is due on maid services provided by maids placed by Plaintiff's service but acting as independent contractors. Also, whether Plaintiff relied, to her detriment, on advice from the Comptroller's Office.

Status: Discovery in progress.

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**Bell Bottom Foundation Co. v. Rylander, et al.** Cause #99-01092  
AG Case #99-1112186

Sales Tax; Protest Filed: 01/29/99 Period: 01/01/91-12/31/94 Amount: \$81,571.73	Asst. AAG Assigned:  Plaintiff's Counsel:	Cecilia Gonzalez  Timothy M. Trickey The Trickey Law Firm Austin
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Issue: Whether taxpayer's sub-contract was a separated contract since the general contractor's construction contract was separated.

Status: Answer filed.

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**BHC Co. v. Sharp, et al.** Cause #95-13037

AG Case #95-386479

Sales Tax; Protest

Filed: 10/13/95

Period: 05/01/90-04/30/94

Amount: \$114,532

Asst. AAG Assigned:

Plaintiff's Counsel:

Blake Hawthorne

Richard Flint

Pearson & Price

Corpus Christi

Issue: Plaintiff contends that it is providing a single, integrated service, the management and operation of a manufacturing facility, which service is not taxable. Plaintiff contests the Comptroller's assessment of tax on maintenance charges, which Plaintiff considers to be one component of an "integrated non-taxable service."

Status: Discovery in progress.

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**B.I. Moyle Associates, Inc. v. Rylander, et al.** Cause #99-00907

AG Case #99-1108499

Sales Tax; Protest

Filed: 01/26/99

Period: 04/01/91-03/31/95

Amount: \$51,711.94

Asst. AAG Assigned:

Plaintiff's Counsel:

Christopher Jackson

G. Stewart Whitehead

Winstead, Sechrest &

Minick

Austin

Issue: Whether taxpayer has substantial nexus with Texas to support imposition of sales and use taxes on its software licensed to Texas residents.

Status: Preparing motion for summary judgment.

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**Big Tex Air Conditioning, Inc. v. Bullock, et al.** Cause #486,321  
AG Case #90-322672

Sales Tax; Protest Filed: 6/26/90	Asst. AAG Assigned:	Steve Rodriguez
Period: 04/01/85-07/31/88 Amount: \$181,397	Plaintiff's Counsel:	John W. Berkel Houston

Issue: Detrimental reliance and various allegations of unconstitutional enforcement; statute of limitations.

Status: Some discovery done. Inactive.

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**Border Steel Rolling Mills, Inc. and Border Steel, Inc., as Successor in Interest to Border Steel Rollings Mills, Inc. v. Rylander, et al.** Cause #GN002671  
AG Case #001352137

Sales Tax; Refund Filed: 09/08/00	Asst. AAG Assigned:	Scott Simmons
Period: 06/01/91-08/31/95 Amount: \$76,281.34	Plaintiff's Counsel:	Ray Bonilla Ray, Wood, Fine & Bonilla Austin

Issue: Whether Plaintiff's rail-mounted cranes, related repair parts and labor are exempt from sales and use tax as rolling stock. Whether the Comptroller fully implemented an administrative agreement on taxation of other equipment and parts qualifying for the manufacturing exemption.

Status: Discovery in progress.

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**Brighton Builders, Inc. v. Sharp, et al.** Cause #97-11830  
AG Case #97-837489

Sales Tax; Protest Filed: 10/15/97	Asst. AAG Assigned:	Christopher Jackson
Period: 10/01/92-09/30/95 Amount: \$195,368	Plaintiff's Counsel:	Ray Langenberg Scott Douglass & McConnico Austin

Issue: Whether certain real property services, such as landscaping and construction site cleanup, are taxable.

Status: Discovery near completion. Settlement discussions in progress.

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**Broadcast Satellite International, Inc. v. Rylander, et al.** Cause #GN002895  
AG Case #001365014

Sales Tax; Declaratory Judgment	Asst. AAG Assigned:	Jim Cloudt
Filed: 10/02/00	Plaintiff's Counsel:	William E. Bailey
Period: 01/01/91-12/31/97		Dallas
Amount: \$250,840.25		

Issue: Whether Plaintiff's broadcast services are non-taxable information services under §151.0038(a). Whether Plaintiff's services are not taxable telecommunications services under §151.0103(l) or data processing under §151.0035. Whether the sale or use of Plaintiff's services occurred out-of-state. Whether Plaintiff's experts demonstrated that Plaintiff is exempt under federal law. Plaintiff also asserts limitations as to part of the liability and seeks declaratory and injunctive relief.

Status: Temporary injunction hearing held 11/29/00.

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**C & T Stone Co. v. Rylander, et al.** Cause #GN002428  
AG Case #001344233

Sales Tax; Protest	Asst. AAG Assigned:	Steve Rodriguez
Filed: 08/18/00	Plaintiff's Counsel:	William T. Peckham
Period: 04/01/94-12/31/97		Austin
Amount: \$207,454.40		

Issue: Whether Plaintiff owes sales tax on its sales of limestone to third parties under §151.311(a). Whether Plaintiff detrimentally relied on advice from the Comptroller's Office. Whether exemption certificates covered some sales that were assessed tax. Whether Plaintiff is entitled to the manufacturing exemption under §151.318(g). Whether penalty and interest should be waived.

Status: Answer filed.

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**Cafeteria Operators, L.P. v. Rylander, et al.** Cause #99-14363  
AG Case #99-1243411

Sales Tax; Refund	Asst. AAG Assigned:	Blake Hawthorne
Filed: 12/09/99	Plaintiff's Counsel:	Mark W. Eidman
Period: 04/01/91-10/31/94		Ray Langenberg
Amount: \$117,868.69		Scott, Douglass & McConnico
		Austin

Issue: Whether Plaintiff's use of gas and electricity is exempt as processing. Whether Plaintiff's food products are prepared or stored for immediate consumption, thus eliminating the exemption. Whether taxation of Plaintiff's purchases of gas and electricity violates equal protection and lacks a rational basis.

Status: Discovery in progress. Plaintiff's motion for summary judgment filed. Summary judgment hearing set 04/05/01.

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**Central Power & Light Co. v. Sharp, et al.** Cause #96-11455

AG Case #96-602037

Sales Tax; Refund

Filed: 09/20/96

Period: 07/01/86-12/31/89

Amount: \$32,788

Asst. AAG Assigned:

Plaintiff's Counsel:

Cecilia Gonzalez

L. G. "Skip" Smith

Clark, Thomas & Winters  
Austin

Issue: Whether utility pole replacement services are non-taxable maintenance or taxable repair labor.

Status: Discovery in progress.

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**Church & Dwight Co., Inc. v. Rylander, et al.** Cause #GN000525

AG Case #001258201

Sales Tax; Refund

Filed: 01/12/00

Period: 10/01/90-12/31/93

Amount: \$64,868.50

Asst. AAG Assigned:

Plaintiff's Counsel:

Blake Hawthorne

Robert C. Alden

Phillip L. Sampson, Jr.  
Bracewell & Patterson  
Austin

Issue: Whether Plaintiff owes use tax on promotional materials shipped from out-of-state. Whether the Comptroller's imposition of use tax is invalid because Plaintiff made no use of the materials in Texas. Whether Rule 3.346(b)(3)(A) is invalid. Whether the tax violates the Commerce and Due Process Clauses of the United States Constitution.

Status: Answer filed.

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***Clinique Services, Inc. v. Sharp, et al.*** Cause #98-03533  
AG Case #98-930330

Sales Tax; Protest Filed: 04/03/98 Period: 04/01/90-03/31/94 Amount: \$519,192	Asst. AAG Assigned:  Plaintiff's Counsel:	Christopher Jackson  David E. Cowling Jones, Day, Reavis & Pogue Dallas
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Issue: Whether written and other promotional materials incurred use tax when delivered into Texas to retailers. Issue of when and where ownership rights existed.

Status: Settlement discussions in progress.

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***Clinique Services, Inc. v. Rylander, et al.*** Cause #GN000376  
AG Case #001273069

Sales Tax; Protest Filed: 02/11/00 Period: 04/01/94-03/31/98 Amount: \$650,361.82	Asst. AAG Assigned:  Plaintiff's Counsel:	Christopher Jackson  David E. Cowling Robert Lochridge Jones, Day, Reavis & Pogue Dallas
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Issue: Whether written and other promotional materials incurred use tax when delivered into Texas to retailers. Issue of when and where ownership rights existed. Whether Rule 3.346(b)(3)(A) is invalid and whether the Comptroller has authority to change its long-standing policy. Alternatively, whether penalty should be waived.

Status: Settlement discussions in progress.

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***Coastal Refining & Marketing, Inc. v. Sharp, et al.*** Cause #98-03540  
AG Case #98-930321

Sales Tax; Protest  
Filed: 04/03/98  
Period: 01/01/89-06/30/89  
07/01/89-12/31/91  
Amount: \$1,635,965

Asst. AAG Assigned:

Blake Hawthorne

Plaintiff's Counsel:

Jasper G. Taylor, III  
Fulbright & Jaworski  
Houston

Joe W. Cox  
Coastal States Management  
Corp.  
Houston

Issue: Whether certain work performed by Plaintiff is new construction under a lump sum contract and thus not taxable.

Status: Discovery in progress.

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***Commercial Janitorial Services, Inc. v. Sharp, et al.*** Cause #95-03259

AG Case #95-249001

Sales Tax; Declaratory  
Judgment and Injunction  
Filed: 3/17/95  
Period: 10/89 - 06/93  
Amount: \$115,160

Asst. AAG Assigned:

Steve Rodriguez

Plaintiff's Counsel:

Samuel Downing McDaniel  
Attorney at Law  
Austin

Sam Passman  
Passman & Jones  
Dallas

Issue: Whether fraud penalty should have been assessed. Whether the Comptroller should be enjoined from collecting the tax while this suit is pending.

Status: Discovery in progress.

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***D&D Recycling, Inc. v. Rylander, et al.*** Cause #GN002278  
AG Case #001339886

Sales Tax; Declaratory Judgment	Asst. AAG Assigned:	Scott Simmons
Filed: 08/09/00	Plaintiff's Counsel:	Curtis J. Osterloh
Period: 1993-1996		Scott, Douglass & McConnico
Amount: \$38,141.72		Austin

Issue: Whether Plaintiff's sort line (conveyor belt) is exempt manufacturing equipment. Plaintiff also seeks attorneys' fees.

Status: Settlement discussion in progress.

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***Denmon's H2 Safety Services, Inc. v. Sharp*** Cause #98-10165  
AG Case #98-1047269

Sales Tax; Refund	Asst. AAG Assigned:	Jim Cloudt
Filed: 09/09/98	Plaintiff's Counsel:	Judy M. Cunningham
Period: 07/01/92-01/31/96		Attorney at Law
Amount: \$67,366		Austin

Issue: Whether tax is due on a charge for training employees and providing safety supervisors in hydrogen sulfide safety at well sites, where Plaintiff also rented equipment.

Status: Discovery in progress.

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***E. de la Garza, Inc. v. Rylander, et al.*** Cause #GN003589  
AG Case #0011395316

Sales Tax; Protest	Asst. AAG Assigned:	Scott Simmons
Filed: 12/15/00	Plaintiff's Counsel:	Rudy de la Garza
Period: 01/01/93-12/31/96		Brownsville
Amount: \$83,138.14		

Issue: Whether sales of grocery bags and sacks are not taxable when sold to grocery stores who have provided a blanket sale for resale certificate. Plaintiff also complains of audit calculation errors.

Status: Discovery in progress.

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**East Rio Hondo Water Supply Corp. v. Rylander, et al.** Cause #GN002807  
AG Case #001357623

Sales Tax; Refund Filed: 09/22/00 Period: 07/01/94-12/31/94 Amount: \$13,691.00	Asst. AAG Assigned:  Plaintiff's Counsel:	Nicole Galwardi  Timothy M. Trickey The Trickey Law Firm Austin
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Issue: Whether Plaintiff is entitled to an exemption for electricity and equipment used to pressurize water for sale under the exemptions for equipment used in manufacturing and electricity used in processing.

Status: Mediation requested.

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**El Paso Silverton Construction Co., Inc. v. Sharp, et al.** Cause #97-00547  
AG Case #97-658485

Sales Tax; Refund Filed: 01/15/97 Period: 01/01/92-06/30/93 Amount: \$6,762	Asst. AAG Assigned:  Plaintiff's Counsel:	Steve Rodriguez  Judy M. Cunningham Attorney at Law Austin
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Issue: Whether §151.311 of the Tax Code, as it existed during the audit period, discriminated against the federal government because it did not exempt purchases of contractors improving federal property while it did exempt purchases by contractors improving state property.

Status: Settled.

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**Estee Lauder Services, Inc. v. Sharp, et al.** Cause #98-03525  
AG Case #98-930358

Sales Tax; Protest Filed: 04/03/98 Period: 01/01/89-09/30/92 Amount: \$472,225	Asst. AAG Assigned:  Plaintiff's Counsel:	Christopher Jackson  David E. Cowling Jones, Day, Reavis & Pogue Dallas
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Issue: Whether written and other promotional materials incurred use tax when delivered into Texas to retailers. Issue of when and where ownership rights existed.

Status: Settlement discussions in progress.

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***Estee Lauder Services, Inc. v. Sharp, et al.*** Cause #98-03524

AG Case #98-930367

Sales Tax; Protest Filed: 04/03/98 Period: 10/01/98-03/31/96 Amount: \$748,773	Asst. AAG Assigned:  Plaintiff's Counsel:	Christopher Jackson  David E. Cowling Jones, Day, Reavis & Pogue Dallas
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Issue: Whether written and other promotional materials incurred use tax when delivered into Texas to retailers. Issue of when and where ownership rights existed.

Status: Settlement discussions in progress.

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***F.C. Felhaber & Co., Inc. v. Sharp, et al.*** Cause #97-05061

AG Case #97-729042

Sales Tax; Declaratory Judgment Filed: 04/28/97 Period: Not stated Amount: \$0.00	Asst. AAG Assigned:  Plaintiff's Counsel:	Christopher Jackson  Louis S. Zimmerman Fulbright & Jaworski Austin
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Issue: Plaintiff's Texas Custom Broker's License was suspended 120 days. Whether Plaintiff must actually observe exported goods cross the border. Whether the Comptroller's investigation of Plaintiff in connection with Plaintiff's customs broker license was *ultra vires* because a non-employee was used. Whether Plaintiff's constitutional rights were violated.

Status: Answer filed. On hold, pending outcome of *Macias v. Sharp*.

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***F M Express Food Mart, Inc., and Fouad Hanna Mekkessi v. Rylander, et al.***

Cause #GN002724

AG Case #001353960

Sales Tax; Injunction Filed: 09/15/00 Period: 12/01/90-11/30/97 Amount: \$	Asst. AAG Assigned:  Plaintiff's Counsel:	Blake Hawthorne  Percy L. "Wayne" Isgitt Houston
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Issue: Whether Comptroller's "estimated audit" is invalid. Whether Plaintiffs are entitled to an injunction of collection and of cancellation of their sales tax permits. Whether Tax Code §§112.051, 112.052, 112.101 and 112.108 are unconstitutional violations of the open courts provision. Plaintiffs seek a re-audit and a refund of money paid under protest in excess of the re-audited amount.

Status: Discovery in progress.

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***Fiesta Texas Theme Park, Ltd. v. Sharp, et al.*** Cause #98-02407

AG Case #98-914152

Sales Tax; Refund Filed: 03/05/98 Period: 10/01/90-04/30/93 Amount: \$328,829	Asst. AAG Assigned:  Plaintiff's Counsel:	Cecilia Gonzalez  Jasper G. Taylor, III Fulbright & Jaworski Houston
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Issue: Whether prizes awarded by Plaintiff to successful contestants of coin-operated as well as non-coin operated games are purchased for resale. Whether sales tax constitutes double taxation on machines on which occupation tax is paid and on non-coin games, admission to which is taxed. Advertising and sewing services are not taxable.

Status: Discovery in progress. Plaintiff filed unopposed motion to retain and will consolidate case with pending administrative matters when they are concluded.

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***Galleria Limited v. Rylander, et al.*** Cause #GN002277

AG Case #001339944

Sales Tax; Refund & Declaratory Judgment Filed: 08/09/00 Period: 1993-1994 Amount: \$349,084.33	Asst. AAG Assigned:  Plaintiff's Counsel:	Christopher Jackson  Gerard A. Desrochers Baker Botts Houston
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Issue: Whether correction of original construction defects is new construction or real property repair and remodeling. Whether Comptroller Rule 3.357 conflicts with legislative intent. Whether the Comptroller's application of the statute and rule violate due process and equal protection. Plaintiff also seeks attorneys' fees.

Status: Answer filed.

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**Garza, Lawrence v. Sharp, et al.** Cause #98-07607

AG Case #98-1001886

Sales Tax; Protest

Filed: 07/17/98

Period: 01/01/93-09/30/95

Amount: \$83,910

Asst. AAG Assigned:

Plaintiff's Counsel:

Cecilia Gonzalez

Stephen P. Dillon  
Lindeman & Dillon  
Houston

Issue: Whether the Comptroller used the proper sampling procedure and whether Plaintiff was correctly notified of the procedure to be used.

Status: Discovery in progress. Trial set for 05/08/00. Passed by agreement.

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**Gateway Homes, Inc. v. Sharp, et al.** Cause #98-14225

AG Case #99-1093188

Sales Tax; Protest

Filed: 12/22/98

Period: 01/01/91-09/30/95

Amount: \$133,146.26

Asst. AAG Assigned:

Plaintiff's Counsel:

Christopher Jackson

Mark W. Eidman  
Ray Langenberg  
Paige Arnette  
Scott, Douglass &  
McConnico  
Austin

Issue: Whether various service activities such as landscaping, cleaning and waste removal are taxable real property services. Whether any tax due is owed by independent contractor service providers under a tax-included contract. Whether tax was assessed on non-taxable new construction. Whether the assessment violates equal protection and whether interest should be waived.

Status: Settlement discussions in progress.

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**GATX Terminals Corp. v. Sharp, et al.** Cause #96-10815  
AG Case #96-595679

Sales Tax; Refund Filed: 09/06/96 Period: Not Stated Amount: \$698,491	Asst. AAG Assigned:  Plaintiff's Counsel:	Jim Cloudt  Ray Langenberg Scott, Douglass & McConnico Austin
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Issue: Various real property issues, including: whether repainting operations were repair and remodeling or periodic maintenance; whether the statute of limitations ran on a refund claim, where the statute had run on the vendor; whether work on a metering system was remodeling or new construction; whether Plaintiff is entitled to a refund of city taxes paid to Houston.

Status: Discovery in progress. Trial scheduled for 03/01/01.

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**GATX Terminals Corp. v. Sharp, et al.** Cause #98-13414  
AG Case #98-1085483

Sales Tax; Protest Filed: 12/02/98 Period: 09/01/92-06/30/96 Amount: \$125,330.40	Asst. AAG Assigned:  Plaintiff's Counsel:	Jim Cloudt  Mark W. Eidman Ray Langenberg Scott, Douglass & McConnico Austin
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Issue: Whether certain activities are taxable real property repair and remodeling or non-taxable maintenance and, alternatively, whether penalty and interest should be waived.

Status: Trial scheduled for 03/01/01.

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**Graybar Electric Co., Inc. v. Sharp, et al.** Cause #97-01795  
AG Case #97-682966

Sales Tax; Protest Filed: 02/13/97 Period: 01/01/88-12/31/91 Amount: \$107,667	Asst. AAG Assigned:  Plaintiff's Counsel:	Scott Simmons  Mark W. Eidman Ray Langenberg Scott, Douglass & McConnico Austin
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Issue: Whether the sample audit resulted in a correct assessment.

Status: Settlement negotiations in progress.

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**Grocers Supply Co., Inc. v. Sharp, et al.** Cause #97-07564

AG Case #97-773840

Sales Tax; Protest Filed: 06/30/97	Asst. AAG Assigned:	Jim Cloudt
Period: 03/01/89-09/30/92 Amount: \$32,765	Plaintiff's Counsel:	Tom Tourtellotte Tourtellotte & Kennon Austin

Issue: Whether certain resale certificates were accepted in good faith. Whether certain pallets were tax exempt as packaging used in the manufacturing process.

Status: Discovery in progress. Settled.

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**Grocers Supply Co., Inc. v. Sharp, et al.** Cause #97-13659

AG Case #97-864573

Sales Tax; Refund Filed: 12/09/97	Asst. AAG Assigned:	Jim Cloudt
Period: 03/01/89-09/30/97 Amount: \$18,508	Plaintiff's Counsel:	Tom Tourtellotte Tourtellotte & Kennon Austin

Issue: Whether certain pallets were tax exempt as packaging used in the manufacturing process.

Status: Discovery in progress. Settled.

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**H.J. Wilson Co., Inc. v. Sharp, et al.** Cause #98-11574

AG Case #98-1063332

Sales Tax; Protest Filed: 10/13/98	Asst. AAG Assigned:	Christopher Jackson
Period: 07/01/90-12/31/93 Amount: \$1,076,019	Plaintiff's Counsel:	David E. Cowling Jones, Day, Reavis & Pogue Dallas

Issue: Whether the purchase of sales catalogs printed out-of-state and shipped to Plaintiff's customers in Texas (at no charge to the customer) incur sales tax.

Status: Answer filed. On hold. Plaintiff filed bankruptcy in Tennessee 03/25/99.

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***Heritage Numismatic Auctions, Inc. & Heritage Capital Corp. v. Rylander, et al.***

Cause #99-06186

AG Case #99-1175282

Sales Tax; Refund

Asst. AAG Assigned:

Scott Simmons

Filed: 05/27/99

Period: 1993-1995

Plaintiff's Counsel:

Brett B. Flagg

10/92-03/96

Amount: \$41,549.31

Brett B. Flagg & Associates

\$80,179.86

Dallas

Issue: Whether inter-company transactions were taxable sale. Whether some audit items were not taxable data processing services. Whether data processing services were exempt inter-company transactions.

Status: Negotiations in progress.

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***Herndon Marine Products, Inc. v. Sharp, et al.*** Cause #91-14786

AG Case #91-164788

Sales Tax; Refund

Asst. AAG Assigned:

Jim Cloudt

Filed: 10/18/91

Period: 01/01/87 - 03/31/90

Plaintiff's Counsel:

John D. Bell

Amount: \$62,465

Wood, Boykin & Wolter

Corpus Christi

Issue: Whether predominant use of electricity from Plaintiff's meter is exempt. Whether burden of proof in administrative hearing should be clear and convincing evidence or preponderance of the evidence.

Status: Special exceptions and answer filed.

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**Hines Interests Limited Partnership v. Rylander, et al.** Cause #GN003245  
AG Case #001381680

Sales Tax; Protest & Refund Filed: 11/08/00	Asst. AAG Assigned:	Christopher Jackson
Period: 07/01/92-02/28/94 Amount: \$129,677.60	Plaintiff's Counsel:	Gerard A. Desrochers Baker Botts Houston

Issue: Whether correction of original construction defects is new construction or real property repair and remodeling. Whether Comptroller Rule 3.357 conflicts with legislative intent. Whether the Comptroller's application of the statute and rule violate due process and equal protection. Plaintiff also seeks attorneys' fees.

Status: Answer filed.

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**Holzem, Inc. v. Sharp, et al.** Cause #96-01041  
AG Case #96-457827

Sales Tax; Declaratory Judgment Filed: 01/26/96	Asst. AAG Assigned:	Jim Cloudt
Period: 07/01/88-03/31/92 Amount: \$229,930	Plaintiff's Counsel:	Leland C. De La Garza De La Garza & Clark Dallas

Issue: Whether Plaintiff's activities during the audit period constituted new construction or taxable repair and remodeling. Whether Plaintiff must pre-pay the tax.

Status: Plaintiff's motion to be excused from pre-paying tax granted 07/23/96. Discovery in progress. Hearing on Defendants' plea to the jurisdiction denied. State has filed counterclaim.

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**House of Lloyd, Inc. v. Rylander, et al.** Cause #GN000111  
AG Case #001261478

Sales Tax; Protest & Refund  
Filed: 01/21/00  
Period: 06/01/92-12/31/96  
Amount: \$597,281.67

Asst. AAG Assigned:

Steve Rodriguez

Plaintiff's Counsel:

Marilyn A. Wethekam  
Horwood Marcus & Berk  
Chartered  
Chicago, Illinois

L.G. (Skip) Smith  
Clark, Thomas & Winters  
Austin

Issue: Whether Plaintiff owes use tax on direct sales items, hostess free goods and demonstrator kits. Whether Plaintiff owes tax for under-collection of local sales tax. Whether the Comptroller's sample was flawed because it failed to consider over-collections of tax. Whether penalty should be waived.

Status: Answer filed.

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***Impaco, Inc. v. Rylander, et al.*** Cause #GN001570  
AG Case #001310879

Sales Tax; Declaratory  
Judgment  
Filed: 05/31/00  
Period: 07/01/88-03/31/94  
Amount: \$345,124.47

Asst. AAG Assigned:

Christopher Jackson

Plaintiff's Counsel:

Mark Foster  
Foster & Malish  
Austin

Issue: Whether Plaintiff's sales of rebuilt engines are exempt as sales for resale. Whether 60-day provision barred consideration of resale certificates. Whether some of the assessment is barred by the statute of limitations. Whether the assessment should be reduced because of insolvency. Whether the tax assessment violates the commerce clause, due process, equal protection or equal taxation. Plaintiff seeks attorneys' fees.

Status: Discovery in progress. Case settled. Preparing agreed motion to dismiss.

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**Interpak Terminals, Inc. v. Sharp, et al.** Cause #95-15213  
AG Case #95-428718

Sales Tax; Protest Filed: 12/07/95	Asst. AAG Assigned:	Scott Simmons
Period: 04/01/89-06/19/95 Amount: \$14,125	Plaintiff's Counsel:	Paul Price Tom Wheat Pearson & Price Corpus Christi

Issue: Whether Plaintiff is entitled to the exemption for wrapping and packaging materials it uses to package plastic pellets sent to it by the manufacturer of the pellets.

Status: Discovery in progress.

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**Jett Racing and Sales, Inc. v. Sharp, et al.** Cause #96-04721  
AG Case #96-511242

Sales Tax; Declaratory Judgment Filed: 04/25/96	Asst. AAG Assigned:	Jim Cloudt
Period: 05/01/88-02/29/92 Amount: \$105,491	Plaintiff's Counsel:	Judy M. Cunningham James D. Blume Dallas

Issue: Whether the purchase of an airplane was exempt as a sale for resale.

Status: Discovery in progress.

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**John Hancock Mutual Life Insurance Co., The v. Rylander, et al.** Cause  
#GN001612  
AG Case #001316520

Sales Tax; Refund Filed: 06/05/00	Asst. AAG Assigned:	Blake Hawthorne
Period: 01/01/94-12/31/98 Amount: \$345,377.95	Plaintiff's Counsel:	James D. Blume Jennifer S. Stoddard Blume & Stoddard Dallas

Issue: Whether an insurance company is exempt from sales taxes on its use of electricity on the grounds that Tex. Ins. Code Art. 4.11, Section 9 prohibits them.

Status: Answer filed.

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**Kroger Co., The v. Sharp, et al.** Cause #98-05641  
AG Case #98-964231

Sales Tax; Refund Filed: 05/28/98 Period: 01/01/90-12/31/93 Amount: \$314,704	Asst. AAG Assigned:  Plaintiff's Counsel:	Steve Rodriguez  Mark W. Eidman Ray Langenberg Scott, Douglass & McConnico Austin
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Issue: Whether the refuse from Plaintiff's meat and produce departments, floral shops, delicatessens, fast food restaurants, and bakeries qualifies as industrial solid waste under § 151.0048 and Rule 3.356, making its removal exempt from sales tax. Whether the labor to paint Plaintiff's dairy and warehouse facilities is tax exempt maintenance. Whether "pan glazing" is exempt as tangible personal property used or consumed during the manufacture of Kroger baked goods.

Status: Discovery in progress.

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**Kunz Construction Co., Inc. v. Sharp, et al.** Cause #96-10758  
AG Case #96-595651

Sales Tax; Protest Filed: 09/05/96 Period: 01/01/89-12/31/92 Amount: \$5,915	Asst. AAG Assigned:  Plaintiff's Counsel:	Steve Rodriguez  Judy Cunningham Attorney at Law Austin
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Issue: Whether a non-profit, public hospital owned by the federal government is exempt under §151.311 even if it is excluded from the definition of non-profit hospital in the Health and Safety Code.

Status: Settled.

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**L. D. Brinkman & Co., Inc. v. Sharp, et al.** Cause #95-06286  
AG Case #95-289583

Sales Tax; Protest Filed: 05/18/95 Period: 07/01/90-02/28/94 Amount: \$226,413	Asst. AAG Assigned:  Plaintiff's Counsel:	Steve Rodriguez  Charles L. Perry Arter & Hadden Dallas
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Issue: Plaintiff contends that inventory samples should not have been taxed because they were ultimately sold and tax was collected. Also, whether cardboard rolls and plastic wrapping are exempt under the manufacturing exemption.

Status: Summary judgment pending.

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**LabOne, Inc. v. Rylander, et al.** Cause #GN002190  
AG Case #001335645

Sales Tax; Protest & Declaratory Judgment Filed: 08/02/00 Period: 1991-1997 Amount: \$520,983.95	Asst. AAG Assigned:  Plaintiff's Counsel:	Jim Cloudt  James F. Martens Kirk R. Lyda Stahl, Martens & Bernal Austin
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Issue: Whether Plaintiff has nexus in Texas for tax on performance of lab tests in Kansas. Whether Plaintiff's activities are taxable insurance services in Texas. Whether Plaintiff's services and sales of supplies are exempt by rule and statute. Whether tax on Plaintiff violates due process and equal taxation. Plaintiff also seeks declaratory relief and attorneys' fees.

Status: Answer filed.

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**Lake Charles Yamaha, Inc. v. Morales, et al.** Cause #95-08672  
AG Case #96-485324

Sales Tax; Declaratory Judgment Filed: 11/13/95 Period: 04/01/91-03/31/95 Amount: \$150,214	Asst. AAG Assigned:  Plaintiff's Counsel:	Gene Storie  Russell J. Stutes, Jr. Scofield, Gerard, Veron, Singletary & Pohorelsky Lake Charles, Louisiana
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Issue: Plaintiff asserts that it has no nexus with Texas and cannot be assessed sales tax, although it concedes that it delivers merchandise into Texas in its own trucks. Plaintiff asks for a declaratory judgment and damages/attorneys fees under 42 USC §§1983 and 1988.

Status: Will be dismissed or non-suited pursuant to Lake Charles Music suit.

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**Lake Charles Yamaha, Inc. v. Morales, et al.** Cause #95-3802  
AG Case #95-325883

Sales Tax; Declaratory Judgment	Asst. AAG Assigned:	Gene Storie
Filed: 07/11/95	Plaintiff's Counsel:	Russell J. Stutes, Jr.
Period: 04/01/91-03/31/95		Scofield, Gerard, Veron,
Amount: \$150,214		Singletary & Pohorelsky Lake Charles, Louisiana

Issue: Plaintiff asserts that it has no nexus with Texas and cannot be assessed sales tax, although it concedes that it delivers merchandise into Texas in its own trucks. Plaintiff asks for a declaratory judgment and damages/attorneys fees under 42 USC §§1983 and 1988.

Status: Will be dismissed or non-suited pursuant to Lake Charles Music suit.

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**Laredo Country Club, Inc., A Texas Corp. v. Sharp, et al.** Cause #98-11834  
AG Case #98-1064363

Sales Tax; Protest; Declaratory Judgment	Asst. AAG Assigned:	Scott Simmons
Filed: 10/20/98	Plaintiff's Counsel:	John Christian
Period: 08/1-30/98		Vinson & Elkins
Amount: \$2,054		Austin

Issue: Whether sales tax is due on the portion of country club membership fees designated as "capital improvement fees" and "gratuities."

Status: Plea to the jurisdiction; plea in abatement and original answer filed 11/16/98. Amended petition filed. Negotiations initiated.

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**Lebaron Hotel Corp., d/b/a The Lebaron Hotel v. Sharp, et al.** Cause #91-17399  
AG Case #92-10477

Sales Tax; Protest Filed: 12/13/91 Period: 10/01/87 - 06/30/90 Amount: \$22,326	Asst. AAG Assigned:  Plaintiff's Counsel:	Steve Rodriguez  Robert C. Cox Dallas
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Issue: Whether Comptroller could tax an arbitrary percentage of ingredients in complimentary mixed drinks and whether ingredients are exempt because they are taxed elsewhere. Is tax due on repairs to parking lot. Whether purchase of items from Ramada Inn is exempt as entire operating assets of a business or identifiable segment.

Status: Answer filed.

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**Lee Construction and Maintenance Co. v. Rylander, et al.** Cause #99-01091  
AG Case #99-1112160

Sales Tax; Protest Filed: 01/29/99 Period: 01/01/92-12/31/95 Amount: \$31,830.47	Asst. AAG Assigned:  Plaintiff's Counsel:	Cecilia Gonzalez  Timothy M. Trickey The Trickey Law Firm Austin
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Issue: Various issues, including credits for bad debts, tax paid, tax on new construction and tax paid in Louisiana, resale exemptions and waiver of penalty and interest.

Status: Discovery in progress.

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**Leyendecker Construction, Inc. v. Sharp, et al.** Cause #98-08076  
AG Case #98-1007248

Sales Tax; Protest Declaratory Judgment Injunction Filed: 07/27/98 Period: 08/01/91-04/30/95 Amount: \$215,486.14	Asst. AAG Assigned:  Plaintiff's Counsel:	Cecilia Gonzalez  Donato D. Ramos Baldemar Garcia, Jr. Person, Whitworth, Ramos, Borchers & Morales Laredo
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Issue: Whether Plaintiff is responsible for sales tax it says it paid to its subcontractors and then collected from its customers as reimbursement. Related evidence issues.

Status: Defendant's plea to the jurisdiction and original answer filed 08/24/98. Court set on dismissal docket. Motion to retain filed.

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**Local Neon Co., Inc. v. Rylander, et al.** Cause #99-15042  
AG Case #001254036

Sales Tax; Protest &  
Declaratory Judgment  
Filed: 12/31/99  
Period:  
Amount: \$34,390.24

Asst. AAG Assigned:

Blake Hawthorne

Plaintiff's Counsel:

James D. Blume  
Jennifer S. Stoddard  
Blume & Stoddard  
Dallas

Judy M. Cunningham  
Austin

Issue: Whether Plaintiff was doing business in Texas by delivering and installing its signs that were sold under contract negotiated outside of Texas. Whether Plaintiff is entitled to declaratory judgment and attorneys' fees.

Status: Discovery in progress.

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**Lopez-Gloria Construction Services, Inc. v. Sharp, et al.** Cause #96-07811  
AG Case #96-555542

Sales Tax; Declaratory  
Judgment  
Filed: 07/05/96  
Period: 01/01/89-12/31/92  
Amount: \$791,171

Asst. AAG Assigned:

Christopher Jackson

Plaintiff's Counsel:

No attorney of record.

Issue: Plaintiff doesn't owe the tax and, if it does, the Comptroller abused its discretion in not settling under Tax Code §111.102.

Status: Answer filed. On hold. Plaintiff apparently out of business and is pro se.

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**Macias, David Ronald v. Sharp** Cause #96-07543  
#03-98-00513-CV  
AG Case #96-550565

Sales Tax; Declaratory Judgment	Asst. AAG Assigned:	Christopher Jackson
Filed: 06/28/96	Plaintiff's Counsel:	Mark N. Osborn
Period: Not stated		Kemp, Smith, Duncan & Hammond
Amount: \$		El Paso

Issue: Plaintiff contests the suspension of his Texas Customs Broker License and disagrees with the Comptroller's policy that brokers must actually see goods being exported before affixing their stamps.

Status: State's motion for summary judgment heard 06/10/98. Court ruled for State, upholding license suspension and finding standard of review to be substantial evidence. Notice of appeal filed. Oral argument occurred 03/24/99. Third Court of Appeals reversed substantial evidence determination and remanded for further proceedings. Partial summary judgment on Macias' license suspension 02/06/00. Summary judgment in Comptroller's favor obtained on licensee's suspension. Suspension period set at 90 days. Preparing for second appeal. Brief filed 12/11/00. Oral argument completed 01/24/01. Awaiting Third Court's decision.

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**Mazanec Construction Co., Inc. v. Sharp, et al.** Cause #96-06955  
AG Case #96-538759

Sales Tax; Refund	Asst. AAG Assigned:	Steve Rodriguez
Filed: 06/14/96	Plaintiff's Counsel:	Judy M. Cunningham
Period: 04/01/90-12/31/93		Attorney at Law
Amount: \$9,571		Austin

Issue: Whether construction at a hospital owned by the federal government is exempt.

Status: Settlement pending.

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**Medaphis Physicians Services Corp. v. Sharp, et al.** Cause #94-11610  
AG Case #94-149390

Sales Tax; Protest and Declaratory Judgment Filed: 09/16/94 Period: 05/01/94-06/30/94 Amount: \$17,063	Asst. AAG Assigned:  Plaintiff's Counsel:	Blake Hawthorne  Gary Miles Sherri Alexander Johnson & Wortley Dallas
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Issue: Whether Plaintiff's services are taxable (1) insurance services, (2) debt collection services, or (3) data processing services, and whether Rules 3.330, 3.354, and 3.355 exceed the Comptroller's rule making authority.

Status: On hold pending conclusion of the audit.

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**Melek Corp. v. Rylander** Cause #GN002146  
AG Case #001339936

Sales Tax; Declaratory Judgment Filed: 07/28/00 Period: 1998 Amount: \$	Asst. AAG Assigned:  Plaintiff's Counsel:	Christopher Jackson  Mitzi T. Shannon Kemp Smith, P.C. El Paso
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Issue: Plaintiff contests the suspension of its Texas Customs Broker License and disagrees with the Comptroller's policy on goods being exported.

Status: Answer filed.

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**Miller, Jerry W. Sr. v. Rylander, et al.** Cause #GN000035  
AG Case #001260140

Sales Tax; Protest Filed: 01/18/00 Period: 01/01/94-06/30/97 Amount: \$33,745.00	Asst. AAG Assigned:  Plaintiff's Counsel:	Scott Simmons  Stephen D. Skinner Stephen D. Skinner & Associates Dallas
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Issue: Whether Plaintiff owes tax on mowing services sold to contractors, home builders and developers engaged in new construction of residential properties. Whether Comptroller misapplied Rule 3.356(a)(5) to Plaintiff's business. Whether Plaintiff was denied due process, and whether Plaintiff should pay penalty and interest. Plaintiff also asserts that the burden of proof is on the Comptroller to show that his business was taxable.

Status: Discovery in progress.

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***National Business Furniture, Inc. v. Sharp, et al.*** Cause #98-03927

AG Case #98-932766

Sales Tax; Protest & Declaratory Judgment	Asst. AAG Assigned:	Steve Rodriguez
Filed: 04/15/98	Plaintiff's Counsel:	Gilbert J. Bernal, Jr.
Period: 01/01/93-07/31/95		Stahl, Martens & Bernal
Amount: \$68,398		Austin

Issue: Whether promotional materials printed out-of-state and delivered into Texas are subject to use tax.

Status: Answer filed.

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***Neiman Marcus Group, Inc. v. Sharp, et al.*** Cause #93-10279-A

AG Case #93-340549

Sales Tax; Protest, Refund & Declaratory Judgment	Asst. AAG Assigned:	Christopher Jackson
Filed: 08/26/93	Plaintiff's Counsel:	David E. Cowling
Period: 01/01/87-03/31/90		Charles Herring
Amount: \$1,046,465		Jones, Day, Reavis & Pogue
		Dallas

Issue: Plaintiff's customers buy gifts from Plaintiff outside Texas and have the gifts delivered by common carrier to Texas "donees." Should the Comptroller have assessed use tax on these "gift sends." Second Issue: whether tax is due on certain remodeling services. Plaintiff asks for attorneys fees under 42 USC §§1983 and 1988.

Status: Agreed judgment signed 03/11/96 on the gift send issue. An agreed order for severance was signed on 03/11/96 on the sales tax issues on remodeling services and attorneys' fees. Cause renumbered 93-10279-A. State filed a plea to jurisdiction on attorneys' fees on 10/06/93.

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**North Alamo Water Supply Corp. v. Rylander, et al.** Cause #GN002424  
AG Case #001344217

Sales Tax; Refund Filed: 08/16/00 Period: 04/94-07/00 Amount: \$160,000	Asst. AAG Assigned:  Plaintiff's Counsel:	Nicole Galwardi  Timothy M. Trickey The Trickey Law Firm Austin
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Issue: Whether Plaintiff is entitled to an exemption for electricity and equipment used to pressurize water for sale under the exemptions for equipment used in manufacturing and electricity used in processing.

Status: Mediation requested.

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**North American Intelcom, Inc., et al. v. Sharp, et al.** Cause #97-05318  
AG Case #97-733563

Sales Tax; Refund Filed: 05/02/97 Period: 04/01/91-05/31/95 Amount: \$2,029,180	Asst. AAG Assigned:  Plaintiff's Counsel:	Blake Hawthorne  Jasper G. Taylor, III Fulbright & Jaworski Houston
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Issue: Whether care, custody, and control of Plaintiff's public telephone equipment passed to their customers, so that Plaintiff could buy the equipment tax free for resale.

Status: Inactive.

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**North Texas Asset Management, Inc. v. Sharp, et al.** Cause #94-08603  
AG Case #94-113766

Sales Tax; Declaratory Judgment Filed: 7/14/94 Period: 05/02/91-12/31/91 Amount: \$24,307	Asst. AAG Assigned:  Plaintiff's Counsel:	James Parsons  Judy M. Cunningham Attorney at Law Austin
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Issue: Whether a sale of a business approved by the SBA (which held a lien and received the proceeds) is tantamount to a foreclosure sale so that no successor liability should attach.

Status: Answer filed; inactive. Parties are involved in informal discussions to resolve or eliminate issues currently in controversy.

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**Norwood Homes, Inc. v. Sharp, et al.** Cause #98-05637  
AG Case #98-970135

Sales Tax; Refund Filed: 05/28/98 Period: 10/01/92-06/30/96 Amount: \$77,887.44	Asst. AAG Assigned:  Plaintiff's Counsel:	Blake Hawthorne  John W. Mahoney Williams, Bimberg & Andersen Houston
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Issue: Whether certain cleaning services are taxable as real property services or are part of new construction of real property.

Status: Discovery in progress.

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**Paragon Communications v. Sharp, et al.** Cause #97-10995  
AG Case #97-825189

Sales Tax; Protest Filed: 09/25/97 Period: 02/01/87-08/31/90 Amount: \$393,497	Asst. AAG Assigned:  Plaintiff's Counsel:	Jim Cloudt  Curtis J. Osterloh Scott, Douglass & McConnico Austin
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Issue: Whether municipal franchise fees paid by Plaintiff and passed on to its customers should be included in taxable cable services. Whether certain services, labor to lay new lines, purchased by Plaintiff were taxable repair and remodeling or were exempt new construction.

Status: Discovery in progress.

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**Perry Homes, A Joint Venture v. Sharp, et al.** Cause #98-14226  
AG Case #99-1093170

Sales Tax; Protest Filed: 12/22/98 Period: 10/01/91-09/30/93 Amount: \$550,978.17	Asst. AAG Assigned:  Plaintiff's Counsel:	Christopher Jackson  Mark W. Eidman Ray Langenberg Paige Arnette Scott, Douglass & McConnico Austin
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Issue: Whether various service activities such as landscaping, cleaning and waste removal are taxable real property services. Whether any tax due is owed by independent contractor service providers under a tax- included contract. Whether tax was assessed on non-taxable new construction. Whether the assessment violates equal protection and whether interest should be waived.

Status: Settlement discussions in progress.

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**Peter Piper, Inc. and L & H Pacific, L.L.C. v. Sharp, et al.** Cause #96-11750  
AG Case #96-613454

Sales Tax; Protest Filed: 09/27/96 Period: 08/01/89-06/30/92 Amount: \$155,404	Asst. AAG Assigned:  Plaintiff's Counsel:	Steve Rodriguez  Richard L. Rothfelder Craig Estlinbaum Kirkendall, Isgur & Rothfelder Houston
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Issue: Whether prizes obtained by collecting tickets from amusement machines in a restaurant are “purchased” by the customer as part of the price of the food.

Status: Discovery in progress.

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**Petrolite Corp. v. Sharp, et al.** Cause #91-13885  
AG Case #91-149840

Sales Tax; Protest and Refund	Asst. AAG Assigned:	Blake Hawthorne
Filed: 09/27/91	Plaintiff's Counsel:	David H. Gilliland
Period: 04/01/84 - 03/31/88		Clark, Thomas & Winters
Amount: \$432,105		Austin

Issue: Resale certificates; taxable maintenance services; taxability of various chemicals and other tangible personal property used in oil well services.

Status: Inactive.

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**Pflugerville, City of v. Capital Metropolitan Transportation Authority and Carole Keeton Rylander** Cause #GV100065  
AG Case #

Sales Tax; Declaratory Judgment	Asst. AAG Assigned:	J. Bruce Scrafford
Filed: 01/11/01	Plaintiff's Counsel:	Mark L. Hawkins
Period: 01/22/00-07/01/00		Armbrust, Brown & Davis
Amount: \$		Austin

Issue:

Status: Answer filed.

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**Phelan Co., The v. Sharp, et al.** Cause #98-00504  
AG Case #98-884283

Sales Tax; Protest & Declaratory Judgment	Asst. AAG Assigned:	Gene Storie
Filed: 01/15/98	Plaintiff's Counsel:	Rick Harrison
Period: 1988-1992		Harrison & Rial
Amount: \$60,587		Austin

Gilbert J. Bernal, Jr.  
Stahl, Martens & Bernal  
Austin

Issue: Whether the sample audit resulted in an incorrect assessment because it did not represent actual business conditions. Whether the audit was conducted in accordance with generally recognized sampling techniques.

Status: Judgment for Plaintiff. Pending on attorneys' fee claim.

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***Praxair, Inc. v. Sharp, et al.*** Cause #97-03919 (consolidated with Cause No. 95-00690, *Praxair, Inc. v. Sharp, et al.*)  
AG Case #97-706272

Sales Tax; Refund & Declaratory Judgment Filed: 04/01/97 Period: 01/01/90-12/31/90 Amount: \$57,815	Asst. AAG Assigned:  Plaintiff's Counsel:	Cecilia Gonzalez  Gerard A. Desrochers Baker Botts Houston
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Issue: Whether the Comptroller erroneously denied Plaintiff's claim for refund of tax paid on manufacturing equipment, alleging that Plaintiff was not engaged in actual manufacturing.

Status: See Cause No. 95-00690, *Praxair, Inc. v. Sharp, et al.*

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***Praxair, Inc. v. Sharp, et al.*** Cause #95-00690  
AG Case #95-214921

Sales Tax; Refund & Declaratory Judgment Filed: 01/18/95 Period: 1990 Amount: \$74,608	Asst. AAG Assigned:  Plaintiff's Counsel:	Cecilia Gonzalez  Gerard A. Desrochers Baker Botts Houston
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Issue: Whether the Comptroller erroneously denied Plaintiff's claim for refund of tax paid on manufacturing equipment, alleging that Plaintiff was not engaged in actual manufacturing.

Status: Discovery in progress. Stipulation of facts in progress.

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**Prodigy Services Co. v. Rylander, et al.** Cause #99-02693  
AG Case #99-1130410

Sales Tax; Protest Filed: 03/05/99 Period: 01/01/93-06/30/96 Amount: \$206,971.88	Asst. AAG Assigned:  Plaintiff's Counsel:	Christopher Jackson  Gilbert J. Bernal, Jr. Stahl, Martens & Bernal Austin  Martin I. Eisenstein Brann & Isaacson Lewiston, Maine
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Issue: Whether use tax is owed on catalogs mailed from out-of-state. Whether imposition of use tax violates the commerce clause, equal protection and equal taxation. Whether taxpayer may recover attorneys' fees under the Uniform Declaratory Judgments Act.

Status: Answer filed.

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**R Communications, Inc. f/k/a RN Communications, Inc. v. Sharp, et al.** Cause #91-4893  
#03-91-00390CV  
AG Case #91-62355

Sales Tax; Declaratory Judgment Filed: 04/08/91 Period: 10/01/80 - 11/02/84 Amount: \$None (Plaintiff was assessed \$67,836 tax but did not pay)	Asst. AAG Assigned:  Plaintiff's Counsel:	Gene Storie  Mark How Short, How, Frels & Tredoux Dallas
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Issue: Whether a taxpayer can be required to pay the disputed tax before filing suit in district court. Constitutionality of §112.108 under Texas Constitution Open Courts provision.

Status: District Court granted State's plea to the jurisdiction. State won appeal. Supreme Court reversed and remanded on 04/27/94. State's motion for rehearing denied. Inactive.

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**RAI Credit Corp. v. Rylander, et al.** Cause #GN003556  
AG Case #011395266

Sales Tax; Refund & Declaratory Judgment Filed: 12/12/00 Period: 01/01/89-12/31/93 Amount: \$297,616.32	Asst. AAG Assigned:  Plaintiff's Counsel:	Jim Cloudt  David Cowling Gregory E. Perry Jones, Day, Reavis & Pogue Dallas
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Issue: Whether Plaintiff lacks nexus for collection of use tax on accounts receivable that were factored to it. Whether Plaintiff is a “seller” or “retailer” engaged in business in Texas. Whether Plaintiff is liable under §111.016 as a person who received tax. Whether imposition of tax denies equal protection. Plaintiff also seeks declaratory relief and attorneys’ fees.

Status: Answer filed.

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**Roadway Express, Inc. v. Rylander, et al.** Cause #GN002831  
AG Case #001357631

Sales Tax; Protest & Declaratory Judgment Filed: 09/25/00 Period: 04/01/88-05/31/92 Amount: \$713,686.05 \$206,053.87	Asst. AAG Assigned:  Plaintiff's Counsel:	Jim Cloudt  David Cowling Robert Lochridge Jones, Day, Reavis & Pogue Dallas
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Issue: Whether various equipment used by the Plaintiff with its trucks is exempt from use tax as tangible personal property sold to a common carrier for use outside the state. Alternatively, whether the equipment had been taxed as vehicle components under the interstate motor carrier tax and could not be taxed as “accessories.” Alternatively, whether taxing 100% of the value of the equipment violates the Commerce Clause because of a lack of substantial nexus and of fair apportionment. Whether all tax was paid on Plaintiff’s repair and remodeling contracts and capital assets. Plaintiff also seeks declaratory relief and attorneys’ fees.

Status: Answer filed.

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**Samedan Oil Corp. v. Sharp, et al.** Cause #98-14105  
AG Case #99-1097593

Sales Tax; Protest Filed: 12/18/98 Period: 01/01/90-12/31/93 Amount: \$19,652.35	Asst. AAG Assigned:  Plaintiff's Counsel:	Scott Simmons  Mark W. Eidman Ray Langenberg Curtis Osterloh Scott, Douglass & McConnico Austin
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Issue: Whether information concerning oil and gas lease ownership and marketing are taxable information services. If so, whether the services were sold or used in Texas. Whether interest and penalty should be waived.

Status: Discovery in progress. Change of counsel sent. Negotiations in progress.

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**Sam Houston Race Park, Ltd. v. Rylander, et al.** Cause #GN001096  
AG Case #001294263

Sales Tax; Refund Filed: 04/13/00 Period: 10/01/93-04/30/95 Amount: \$43,025.00	Asst. AAG Assigned:  Plaintiff's Counsel:	Blake Hawthorne  L.G. "Skip" Smith David H. Gilliland Clark, Thomas & Winters Austin
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Issue: Whether Plaintiff's purchase of "totalizator" services, which provide betting information to accompany live pari-mutuel and simulcasts of pari-mutuel races, is not taxable as a data processing service. Whether totalizator services, if they are taxable, are exempt for resale as an integral part of Plaintiff's taxable amusement service.

Status: Answer filed.

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**Schmitz Industries, Inc. v. Sharp** Cause #95-15485  
AG Case #96-436841

Sales Tax; Protest Filed: 12/15/95	Asst. AAG Assigned:	Steve Rodriguez
Period: 04/01/89-12/31/92 Amount: \$4,418	Plaintiff's Counsel:	Charles E. Klein Attorney at Law Dallas

Issue: Plaintiff alleges that the audit assessment is wrong because some of the transactions in the sample period are not representative of Plaintiff's business, and some transactions include tax exempt molds, dies and patterns with a useful life of six months or less.

Status: Answer filed.

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**Schoenborn & Doll Enterprises, Inc. v. Rylander, et al.** Cause #99-07605  
AG Case #99-1187592

Sales Tax; Protest & Declaratory Judgment Filed: 07/01/99	Asst. AAG Assigned:	Blake Hawthorne
Period: 07/01/95-05/31/97 Amount: \$140,936.92	Plaintiff's Counsel:	Kevin W. Morse Blazier, Christensen & Bigelow Austin

Issue: Whether the portion of Plaintiff's gym membership fee allocated to aerobic training is included in Plaintiff's taxable amusement services. Whether the Comptroller improperly disregarded the rule addressing non-taxable aerobic and tanning services under the amusement services tax. Whether the Comptroller should have applied its detrimental reliance policy.

Status: Inactive.

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**Sears Roebuck & Co. v. Rylander, et al.** Cause #99-04138  
AG Case #99-1152398

Sales Tax; Refund Filed: 04/08/99	Asst. AAG Assigned:	Jim Cloudt
Period: 10/01/88-12/31/91 Amount: \$1,792,421.59	Plaintiff's Counsel:	David E. Cowling Jones, Day, Reavis & Pogue Dallas

Issue: Whether use tax is owed on catalogs printed and shipped from out-of-state. Whether any taxable use was made or any consideration received by plaintiff. Whether "distribution" is a taxable use and whether the Comptroller's rule identifying it as such is valid. Whether imposition of the tax violates the due process, commerce, or equal protection clauses. Alternatively, whether calculation of the tax as on the correct cost basis, whether tax should not be collected because the catalogs are "books," and whether penalty should be waived.

Status: Answer filed.

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***Service Merchandise Co., Inc. v. Sharp, et al.*** Cause #98-11572

AG Case #98-1063308

Sales Tax; Protest Filed: 10/13/98	Asst. AAG Assigned:	Christopher Jackson
Period: 01/01/92-12/31/93	Plaintiff's Counsel:	David E. Cowling
Amount: \$413,569		Jones, Day, Reavis & Pogue Dallas

Issue: Whether the purchase of sales catalogs printed out-of-state and shipped to Plaintiff's customers in Texas (at no charge to the customer) incur sales tax.

Status: Answer filed. On hold. Plaintiff filed bankruptcy in Tennessee on 03/25/99.

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***Sharyland Water Supply Corp. v. Rylander, et al.*** Cause #9910283

AG Case #001291798

Sales Tax; Refund Filed: 09/03/99	Asst. AAG Assigned:	Nicole Galwardi
Period:	Plaintiff's Counsel:	Timothy M. Trickey
Amount: \$		The Trickey Law Firm Austin

Issue: Whether Plaintiff is entitled to an exemption for electricity and equipment used to pressurize water for sale under the exemptions for equipment used in manufacturing and electricity used in processing.

Status: Answer filed.

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**Sledd, Charles Bruce** Cause #00-1180  
AG Case #001381748

Sales Tax; Writ of Mandamus	Asst. AAG Assigned:	Gene Storie
Filed: 11/15/00	Plaintiff's Counsel:	Charles Bruce Sledd
Period: 07/04/99 & 02/18/00		Pro Se
Amount: \$11.54		Houston

Issue: Whether tax is payable on extended warranty contracts sold with electrical appliances. Whether taxable sales price must be reduced by a rebate amount. Whether charging tax on those amounts is fraud.

Status: Notice of counsel filed. Court denies mandamus.

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**Southwest Pay Telephone Corp., Successor in Interest to Southwest Pay Telephone Systems, Inc. v. Sharp, et al.** Cause #97-00684  
AG Case #97-662434

Sales Tax; Refund	Asst. AAG Assigned:	Blake Hawthorne
Filed: 01/17/97	Plaintiff's Counsel:	Mary S. Dietz
Period: 03/01/91-12/31/94		Fulbright & Jaworski
Amount: \$117,600		Houston

Issue: Whether Plaintiff transferred "care, custody, and control" of telephone equipment to the customers of its public telephone service such that it could buy the equipment tax-free per Rule 3.344 (e).

Status: Inactive.

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**Spaw-Glass, Inc. and Spaw Glass Construction Co. v. Rylander, et al.** Cause #99-06716  
AG Case #99-1177965

Sales Tax; Protest & Refund	Asst. AAG Assigned:	Scott Simmons
Filed: 06/11/99	Plaintiff's Counsel:	Jasper G. Taylor, III
Period: 04/01/93-03/31/96		C. Rhett Shaver
10/01/93-06/30/96		Fulbright & Jaworski
Amount: \$134,067.87		Houston
\$34,469.19		

Issue: Whether Plaintiff is not subject to sales tax because it was a lump sum contractor on the transactions at issue. Whether penalty and interest should be waived.

Status: Negotiations completed. Reviewing Plaintiffs' offer of settlement.

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***Sprint International Communications, Inc. v. Sharp, et al.*** Cause #96-14298  
AG Case #96-637296

Sales Tax; Refund Filed: 11/22/96 Period: 02/01/86-01/31/90 Amount: \$1,269,474	Asst. AAG Assigned:  Plaintiff's Counsel:	Steve Rodriguez  Wallace M. Smith Donald L. Stuart R. Kemp Kasling Drenner & Stuart Austin
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Issue: Whether networking services are taxable as telecommunications services.

Status: Answer filed.

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***Summit Photographix, Inc. v. Rylander, et al.*** Cause #GN001808  
AG Case #001323633

Sales Tax; Declaratory Judgment Filed: 06/23/00 Period: 01/01/94-12/31/96 Amount: \$6,532,000.00	Asst. AAG Assigned:  Plaintiff's Counsel:	Blake Hawthorne  Mark D. Hopkins Fields & Hopkins Austin  Hilary Thomas Kondos & Kondos Law Offices Richardson
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Issue: Whether Plaintiff is a direct sales company and may be regarded as a retailer for sales made by independent retailers of business start-up kits. Whether the Comptroller's rule defining direct sales organizations violates due process. Whether §151.024 was applied retroactively. Whether the items at issue are not taxable tangible personal property. Whether the Comptroller erred in basing the assessment on the suggested retail price of all issued items. Whether penalty and interest should be waived. Plaintiff also seeks attorneys' fees.

Status: Answer filed.

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**Choi, Sung Ju d/b/a Sam Young Trading Co. v. Sharp** Cause #95-14940  
AG Case #95-424767

Sales Tax; Injunction Filed: 11/30/95	Asst. AAG Assigned:	Steve Rodriguez
Period: 01/01/88-12/31/91 Amount: \$54,068	Plaintiff's Counsel:	Kenneth Thomas Attorney at Law Dallas

Issue: Whether certain resale certificates should have been accepted by the Comptroller during the audit. Whether an injunction to suspend all collection activity should be granted.

Status: Discovery in progress.

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**TCCT Real Estate, Inc. v. Rylander, et al.** Cause #99-11647  
AG Case #991219239

Sales Tax; Protest Declaratory Judgment Filed: 10/06/99	Asst. AAG Assigned:	Blake Hawthorne
Period: 10/01/91-03/31/93 Amount: \$146,484.05	Plaintiff's Counsel:	David Cowling Robert Lochridge Jones, Day, Reavis & Pogue Dallas

Issue: Whether Plaintiff sold electricity for commercial use when it obtained electrical service under a management agreement for another company which used the electricity in manufacturing or processing. Whether the exemption for electricity used in manufacturing requires the purchaser of electricity to be the user. Whether Plaintiff can be held as a seller of electricity in violation of the TPURA. Whether Plaintiff's right to equal and uniform taxation has been violated. Plaintiff also seeks attorneys' fees.

Status: Answer filed.

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**TCCT Real Estate, Inc. as Successor to TCC Austin Industrial Overhead v. Rylander, et al.** Cause #99-11648  
AG Case #99-1219221

Sales Tax; Protest Declaratory Judgment Filed: 10/05/99	Asst. AAG Assigned:	Blake Hawthorne
Period: 07/01/89-12/31/91 Amount: \$479,719.44	Plaintiff's Counsel:	David Cowling Robert Lochridge Jones, Day, Reavis & Pogue Dallas

Issue: Whether Plaintiff sold electricity for commercial use when it obtained electrical service under a management agreement for another company which used the electricity in manufacturing or processing. Whether the exemption for electricity used in manufacturing requires the purchaser of electricity to be the user. Whether Plaintiff can be held as a seller of electricity in violation of the TPURA. Whether Plaintiff's right to equal and uniform taxation has been violated. Plaintiff also seeks attorneys' fees.

Status: Discovery in progress.

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**Tennessee Gas Pipeline Co. v. Sharp, et al.** Cause #98-09521

AG Case #98-1022296

Sales Tax; Refund

Filed: 08/25/98

Period: 01/01/94-04/03/96

Amount: \$85,430

Asst. AAG Assigned:

Plaintiff's Counsel:

Cecilia Gonzalez

Ron Patterson  
Kliwer, Breen, Garaton,  
Patterson & Malone, Inc.  
Austin

Michael R. Garatoni  
Guaranty Center  
San Antonio

Issue: Plaintiff contends that because it operates a common-carrier pipeline and is a certificated or licensed carrier of property it may avoid sales tax on repair, remodeling, and maintenance services purchased in connection with the maintenance and repair of aircraft Plaintiff owns and uses in operating its common-carrier pipeline.

Status: Discovery in progress. Unopposed motion to retain filed. Plaintiff will propose stipulations.

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**Texas Gulf, Inc. v. Bullock, et al.** Cause #485,228

AG Case #90-311185

Sales Tax; Refund

Filed: 06/05/90

Period: 01/01/85 - 06/30/88

Amount: \$294,000

Asst. AAG Assigned:

Plaintiff's Counsel:

Cecilia Gonzalez

Ira A. Lipstet  
Jenkins & Gilchrist  
Austin

Issue: Are pipes exempt as manufacturing equipment or taxable as intra plant transportation.

Status: State's plea to the jurisdiction denied. Settlement negotiations in progress.

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**Transcontinental Gas Pipeline Corp. v. Rylander, et al.** Cause #99-06997  
AG Case #99-1178526

Sales Tax; Protest  
Filed: 06/17/99  
Period: 03/93-05/95  
Amount: \$112,684.43

Asst. AAG Assigned:

Cecilia Gonzalez

Plaintiff's Counsel:

Ron Patterson  
Kliewer, Breen, Garatoni,  
Patterson & Malone  
Austin

Michael R. Garatoni  
Kliewer, Breen, Garatoni,  
Patterson & Malone  
San Antonio

Issue: Whether Plaintiff, a common carrier gas pipeline operator, may claim a sales and use tax exemption on its purchase of an airplane. Whether airplane repair and replacement parts are exempt.

Status: Answer filed.

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**Union Carbide Corp. v. Rylander, et al.** Cause #GN000580  
AG Case #001261452

Sales Tax; Protest  
Filed: 01/13/00  
Period: 01/01/89-12/31/92  
Amount: \$575,857.40

Asst. AAG Assigned:

Steve Rodriguez

Plaintiff's Counsel:

Mark W. Eidman  
Ray Langenberg  
Curtis Osterloh  
Scott, Douglass &  
McConnico  
Austin

Issue: Whether Plaintiff is entitled to an exemption on labor charges for installing floating roofs on tanks at its chemical plant because: (1) the roofs are exempt pollution control equipment, (2) the labor was for non-taxable new construction, or (3) the labor was for remodeling of tangible personal property.

Status: Answer filed.

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**Unit 82 Joint Venture v. Rylander, et al.** Cause #GN001888  
AG Case #001327964

Sales Tax; Protest Filed: 07/03/00 Period: 07/01/93-12/31/96 Amount: \$44,519.03	Asst. AAG Assigned:  Plaintiff's Counsel:	Scott Simmons  H. Christopher Mott Krafsur Gordon Mott Davis & Woody El Paso
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Issue: Whether Plaintiff's initial finish-out work is non-taxable new construction.

Status: Discovery in progress.

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**United Services Automobile Association v. Sharp, et al.** Cause #97-02927  
AG Case #97-694723

Sales Tax; Refund Filed: 03/10/97 Period: 02/01/91-07/31/94 Amount: \$656,667	Asst. AAG Assigned:  Plaintiff's Counsel:	Jim Cloudt  Mark W. Eidman Ray Langenberg Scott, Douglass & McConnico Austin
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Issue: Whether certain professional and leak detection services are taxable. Whether tax is due on material printed out-of-state and mailed directly to Texas customers.

Status: Settlement pending.

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**U.S. On-Line Cable v. Rylander, et al.** Cause #99-09021  
AG Case #99-1198896

Sales Tax; Refund Filed: 08/05/99 Period: 10/01/94-07/31/98 Amount: \$115,958.69	Asst. AAG Assigned:  Plaintiff's Counsel:	Scott Simmons  James F. Martens Stahl, Martens & Bernal Austin
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Issue: Whether Plaintiff is entitled to a sale for resale exemption on cable equipment it purchases from out-of-state vendors and users to provide cable service to apartment dwellers.

Status: Settlement negotiations in progress.

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**USA Waste Services of Houston, Inc. v. Rylander, et al.** Cause #GN003453  
AG Case #001388065

Sales Tax; Protest Filed: 12/01/00 Period: 01/01/94-03/31/97 Amount: \$14,016.28	Asst. AAG Assigned:  Plaintiff's Counsel:	Scott Simmons  Mark W. Eidman Ray Langenberg Eric Hagenswold Scott, Douglass & McConnico Austin
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Issue: Whether steam cleaning done for Plaintiff's customers by a third party is a sale for resale as an integral part of Plaintiff's taxable waste removal services.

Status: Answer filed.

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**Waller Hotel Group, Inc. v. Sharp, et al.** Cause #98-03990  
AG Case #98-939849

Sales Tax; Refund Filed: 04/16/98 Period: 03/01/91-08/31/94 Amount: \$51,614	Asst. AAG Assigned:  Plaintiff's Counsel:	Cecilia Gonzalez  Gilbert J. Bernal, Jr. Stahl, Martens & Bernal Austin  Mark Cohen Attorney at Law Austin
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Issue: Whether purchases of gas and electricity at Plaintiff's hotel were exempt as residential use, based on a utility study conducted by Plaintiff's expert.

Status: Discovery in progress.

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**West Texas Pizza, Limited Partnership v. Sharp, et al.** Cause #96-11751  
AG Case #96-611633

Sales Tax; Protest Filed: 09/27/96	Asst. AAG Assigned:	Steve Rodriguez
Period: 06/01/88-06/30/92 Amount: \$35,247	Plaintiff's Counsel:	Richard L. Rothfelder Milissa M. Magee Kirkendall, Isgur & Rothfelder Houston

Issue: Whether prizes obtained by collecting tickets from amusement machines in a restaurant are "purchased" by the customer as part of the price of the food.

Status: Discovery in progress.

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**Westar Hotels, Inc. v. Sharp, et al.** Cause #97-06182  
AG Case #97-743945

Sales Tax; Refund Filed: 05/23/97	Asst. AAG Assigned:	Steve Rodriguez
Period: 11/01/90-07/31/94 Amount: \$73,827	Plaintiff's Counsel:	Gilbert J. Bernal, Jr. Stahl, Martens & Bernal Austin

Issue: Whether Plaintiff owes tax on electricity used in its hotels.

Status: Answer filed.

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**Young's Beer Barn, Inc. v. Sharp** Cause #94-14347  
AG Case #94-181807

Sales Tax; Injunction Filed: 11/17/94	Asst. AAG Assigned:	Steve Rodriguez
Period: 06/01/89-07/31/92 Amount: \$144,608	Plaintiff's Counsel:	Kenneth Thomas Dallas

Issue: Plaintiff states, "The Comptroller erred in its audit of the plaintiff by including bank transactions in the taxable sales of the plaintiff for the period. . . ." Plaintiff also asks for an injunction against collection action.

Status: Discovery answered by Plaintiff.

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# Insurance Tax

***All American Life Insurance Co., et al. v. Sharp, et al.*** Cause #98-00195

#03-00-427-CV

AG Case #98-880394

Insurance Premium &  
Insurance Maintenance Tax;

Protest

Filed: 01/07/98

Period: 1991-1994

Amount: \$276,151

(Premium)

\$4,804 (Maintenance)

Asst. AAG Assigned:

Gene Storie

Plaintiff's Counsel:

Barry K. Bishop  
Clark, Thomas & Winters  
Austin

Dudley D. McCalla  
Heath, Davis & McCalla  
Austin

Jay A. Thompson  
Thompson, Coe, Cousins &  
Irons  
Austin

Issue: Whether certain transactions called "internal rollover" by Plaintiffs, consisting of substituting one insurance policy for a prior policy and transferring funds, result in gross premiums subject to tax.

Status: Trial set 01/18/00. Judgment for State signed 03/22/00. Plaintiff's filed request for findings of fact and conclusions of law 04/06/00. Plaintiffs filed notice of appeal. Appellants' brief filed 09/29/00. Appellees' brief due 12/01/00. Oral argument held 01/24/01.

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***All American Life Insurance Co. v. Sharp, et al.*** Cause #98-07917 (Consolidated with Cause #98-00195, *All American Life Insurance Co., et al. v. Sharp, et al.*)

AG Case #98-1001902

Gross Premium Tax; Protest

Filed: 07/24/98

Period: 1994-1996

Amount: \$29,169

Asst. AAG Assigned:

Gene Storie

Plaintiff's Counsel:

Dudley D. McCalla  
Heath, Davis & McCalla  
Austin

Issue: Whether certain transactions called "internal rollover" by Plaintiffs, consisting of substituting one insurance policy for a prior policy and transferring funds, result in gross premiums subject to tax.

Status: Consolidated with Cause #98-00195, *All American Life Insurance Co., et al. v. Sharp, et al.*

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**Allianz Underwriters Insurance Co. v. Rylander, et al.** Cause #GN000663  
AG Case #001280114

Insurance Premium Tax; Protest, Injunction & Declaratory Judgment Filed: 03/02/00 Period: 01/01/90-12/31/95 Amount: \$365,506.54	Asst. AAG Assigned:  Plaintiff's Counsel:	Steve Rodriguez  Stephen L. Phillips Brian C. Newby Julie K. Lane Cantey & Hanger, Roan & Autrey Austin
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Issue: Whether Plaintiff, an eligible surplus lines insurer, owes tax for unauthorized insurance. Whether tax should have been collected from the surplus lines agent or from the insured. Whether the Comptroller's assessment is contrary to the McCarran-Ferguson Act and constitutional due process. Whether the Comptroller has authority to assess taxes due before 09/01/93. Whether the Comptroller's rule on penalty and interest is arbitrary and capricious. Plaintiff also seeks attorneys' fees.

Status: Discovery in progress.

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**Allmerica Financial Life Insurance Co. and Annuity Co. v. Rylander, et al.** Cause  
#GN001378  
AG Case #001304807

Insurance Premium Tax; Protest & Declaratory Judgment Filed: 05/10/00 Period: 1992-1995 Amount: \$190,352.89 \$43,715.28	Asst. AAG Assigned:  Plaintiff's Counsel:	Gene Storie  Steven D. Moore Jackson Walker L.L.P. Austin
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Issue: Whether premium taxes are owed on internal rollover transactions. Plaintiff also seeks declaratory judgment under the UDJA and APA and attorneys' fees.

Status: Answer filed. Should be resolved as for *All American Life Insurance, et al. v. Sharp, et al.*

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**American Bankers Insurance Co. of Florida, et al. v. Ann Richards, et al.** Cause #396,975  
AG Case #86-1483

Gross Premium Tax; Protest & Declaratory Judgment	Asst. AAG Assigned:	Steve Rodriguez
Filed: 05/08/86	Plaintiff's Counsel:	Fred B. Werkenthin
Period: 1985-1988		Jackson & Walker
Amount: \$1,745,569		Austin

Issue: Whether Tex. Ins. Code art. 4.10 unconstitutionally discriminates against foreign property and casualty companies by basing the premium tax rate on their percentage of Texas investments (equal protection). (Pleadings refer to art. 4.10, but protest letters refer to arts. 4.11 and 21.46.) Also seeks recovery and attorneys' fees pursuant to 42 U.S.C. §1983.

Status: Inactive.

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**American General Life Insurance Co., American National Life Insurance Co., and American National Insurance Co. v. Sharp, et al.** Cause #98-13996 (Consolidated with Cause #98-00195, *All American Life Insurance Co., et al. v. Sharp, et al.*)  
AG Case #99-1093402

Maintenance & Gross Premium Tax; Refund	Asst. AAG Assigned:	Gene Storie
Filed: 12/16/98	Plaintiff's Counsel:	Dudley D. McCalla
Period: 01/01/91-12/31/94		Heath, Davis & McCalla
Amount: \$204,695.81		Austin

Issue: Whether "internal rollovers" of existing life insurance policies result in gross premiums subject to tax.

Status: Consolidated with Cause #98-00195, *All American Life Insurance Co., et al. v. Sharp, et al.*

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**American International Specialty Lines Insurance Co. v. Rylander, et al.** Cause #GN002666  
AG Case #001351998

Insurance Premium Tax; Protest & Declaratory Judgment	Asst. AAG Assigned:	Steve Rodriguez
Filed: 09/08/00	Plaintiff's Counsel:	Anthony Icenogle
Period: 1995		Joseph C. Boggins
Amount: \$362,975.97		DeLeon & Boggins
		Austin

Issue: Whether an authorized surplus lines insurer is required to pay unauthorized insurance tax when the Comptroller is unable to verify payment of tax by the agent. Whether the Comptroller wrongfully relied on another hearings decision as precedent. Plaintiff also seeks injunctive and declaratory relief and attorneys' fees.

Status: Discovery in progress. Hearing on motion for summary judgment set 03/08/01.

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**Dow Chemical Co. v. Rylander, et al.** Cause #99-05725

#03-00-354-CV

AG Case #99-1168444

Independently Procured  
Insurance Tax; Protest  
Filed: 05/17/99  
Period: 1991-1997  
Amount: \$427,148.80

Asst. AAG Assigned:

Gene Storie

Plaintiff's Counsel:

Mark W. Eidman  
Ray Langenberg  
Scott, Douglass &  
McConnico  
Austin

Issue: Whether statute levying tax on independently procured insurance is unconstitutional under the *Todd Shipyards* case.

Status: Plaintiff's summary judgment motion filed. State's motion for summary judgment granted 04/06/00. Plaintiff filed notice of appeal. Dow's brief filed. Comptroller's brief filed. Argued 11/15/00. Reversed and rendered 01/25/01.

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**Dow Chemical Co., The v. Rylander, et al.** Cause #GN002457

AG Case #001348606

Independently Procured  
Insurance Tax; Protest  
Filed: 08/22/00  
Period: 1998 & 1999  
Amount: \$61,711.06

Asst. AAG Assigned:

Gene Storie

Plaintiff's Counsel:

Mark W. Eidman  
Ray Langenberg  
Scott, Douglass &  
McConnico  
Austin

Issue: Whether statute levying tax on independently procured insurance is unconstitutional under the *Todd Shipyards* case.

Status: Answer filed.

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**Federal Home Life Insurance Co. v. Rylander, et al.** Cause #99-06142  
AG Case #99-1173279

Retaliatory Tax; Protest & Declaratory Judgment	Asst. AAG Assigned:	Steve Rodriguez
Filed: 05/26/99	Plaintiff's Counsel:	Ron K. Eudy
Period: 1998		Sneed, Vine & Perry
Amount: \$9,328.01		Austin

Issue: Whether retaliatory insurance tax was improperly assessed because there is no similar Texas insurance company licensed and actually doing business in plaintiff's home state which paid more aggregate taxes than plaintiff. Plaintiff also seeks attorneys' fees.

Status: Settlement discussions in progress. Mediation held 01/17-18/01.

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**First Colony Life Insurance Co. v. Rylander, et al.** Cause #99-06143  
AG Case #99-1173287

Retaliatory Tax; Protest & Declaratory Judgment	Asst. AAG Assigned:	Steve Rodriguez
Filed: 05/26/99	Plaintiff's Counsel:	Ron K. Eudy
Period: 1998		Sneed, Vine & Perry
Amount: \$192,371.48		Austin

Issue: Whether retaliatory insurance tax was improperly assessed because there is no similar Texas insurance company licensed and actually doing business in plaintiff's home state which paid more aggregate taxes than plaintiff. Plaintiff also seeks attorneys' fees.

Status: Settlement discussions in progress. Mediation held 01/17-18/01.

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**GE Life and Annuity Assurance Co., fka Life Insurance Co. of Virginia v. Rylander, et al.** Cause #99-06145  
AG Case #99-1173097

Retaliatory Tax; Protest & Declaratory Judgment	Asst. AAG Assigned:	Steve Rodriguez
Filed: 05/26/99	Plaintiff's Counsel:	Ron K. Eudy
Period: 1998		Sneed, Vine & Perry
Amount: \$59,574.64		Austin

Issue: Whether retaliatory insurance tax was improperly assessed because there is no similar Texas insurance company licensed and actually doing business in plaintiff's home state which paid more aggregate taxes than plaintiff. Plaintiff also seeks attorneys' fees.

Status: Settlement discussions in progress. Mediation held 01/17-18/01.

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**General Electric Capital Assurance Co. v. Rylander, et al.** Cause #99-06144  
AG Case #99-1173295

Retaliatory Tax; Protest & Declaratory Judgment	Asst. AAG Assigned:	Steve Rodriguez
Filed: 05/26/99	Plaintiff's Counsel:	Ron K. Eudy
Period: 1998		Sneed, Vine & Perry
Amount: \$46,658.03		Austin

Issue: Whether retaliatory insurance tax was improperly assessed because there is no similar Texas insurance company licensed and actually doing business in plaintiff's home state which paid more aggregate taxes than plaintiff. Plaintiff also seeks attorneys' fees.

Status: Settlement discussions in progress. Mediation held 01/17-18/01.

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**Great Northern Insured Annuity Corp. v. Rylander, et al.** Cause #99-06146  
AG Case #99-1173089

Retaliatory Tax; Protest & Declaratory Judgment	Asst. AAG Assigned:	Steve Rodriguez
Filed: 05/26/99	Plaintiff's Counsel:	Ron K. Eudy
Period: 1998		Sneed, Vine & Perry
Amount: \$8,459.31		Austin

Issue: Whether retaliatory insurance tax was improperly assessed because there is no similar Texas insurance company licensed and actually doing business in plaintiff's home state which paid more aggregate taxes than plaintiff. Plaintiff also seeks attorneys' fees.

Status: Settlement discussions in progress. Mediation held 01/17-18/01.

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**Harvest Life Insurance Co., The v. Rylander, et al.** Cause #99-06147  
AG Case #99-1173063

Retaliatory Tax; Protest & Declaratory Judgment	Asst. AAG Assigned:	Steve Rodriguez
Filed: 05/26/99	Plaintiff's Counsel:	Ron K. Eudy
Period: 1998		Sneed, Vine & Perry
Amount: \$26,640.79		Austin

Issue: Whether retaliatory insurance tax was improperly assessed because there is no similar Texas insurance company licensed and actually doing business in plaintiff's home state which paid more aggregate taxes than plaintiff. Plaintiff also seeks attorneys' fees.

Status: Settlement discussions in progress. Mediation held 01/17-18/01.

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**Heritage Life Insurance Co. v. Rylander, et al.** Cause #99-06148  
AG Case #99-1172958

Retaliatory Tax; Protest & Declaratory Judgment	Asst. AAG Assigned:	Steve Rodriguez
Filed: 05/26/99	Plaintiff's Counsel:	Ron K. Eudy
Period: 1998		Sneed, Vine & Perry
Amount: \$10,987.86		Austin

Issue: Whether retaliatory insurance tax was improperly assessed because there is no similar Texas insurance company licensed and actually doing business in plaintiff's home state which paid more aggregate taxes than plaintiff. Plaintiff also seeks attorneys' fees.

Status: Settlement discussions in progress. Mediation held 01/17-18/01.

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**IDS Life Insurance Co. v. Rylander, et al.** Cause #99-13368 (*Consolidated with Cause #98-00195, All American Life Insurance Co., et al. v. Sharp, et al.*)  
AG Case #99-1238965

Insurance Tax; Protest	Asst. AAG Assigned:	Gene Storie
Filed: 11/16/99	Plaintiff's Counsel:	Jay A. Thompson
Period:		Clark, Thomas & Winters
Amount: \$234,383.82 \$2,039.79		Austin

Issue: Whether certain transactions called "internal rollover" by Plaintiffs, consisting of substituting one insurance policy for a prior policy and transferring funds, result in gross premiums subject to tax.

Status: Consolidated with Cause #98-00195, *All American Life Insurance Co, et al. v. Sharp, et al.*

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**Liberty National Life Insurance Co. v. Martha Whitehead, et al.** Cause #93-08432  
AG Case #93-311009

Retaliatory Tax; Protest & Declaratory Judgment Filed: 07/15/93 Period: 1990-1992 Amount: \$54,511	Asst. AAG Assigned:  Plaintiff's Counsel:	Steve Rodriguez  Ron Eudy Sneed, Vine & Perry Austin
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Issue: Whether art. 21.46 retaliatory tax has been properly applied to Plaintiff's tax rates in Texas and Alabama, and whether the tax violates equal taxation and equal protection. (Also Plaintiff seeks recovery under the Declaratory Judgments Act and 42 U.S.C. §1983 including attorneys' fees.)

Status: Settlement discussions in progress. Mediation held 01/17-18/01.

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**Metropolitan Life Insurance Co., et al. v. A.W. Pogue, et al.** Cause #484,745  
AG Case #90-304512

Gross Premium Tax; Protest Filed: 05-24-90 Period: 1985-1986 1989-1992 Amount: \$1,848,606	Asst. AAG Assigned:  Plaintiff's Counsel:	Gene Storie  Mary K. Wolf Austin
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Issue: Whether insurance taxes are owed by insurance companies on dividends applied to paid-up additions and renewal premiums.

Status: 9th Amended Petition filed. Settlement discussed, and partial settlement agreed to.

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**Metropolitan Life Insurance Co., et al. v. A.W. Pogue, et al.** Cause #484,796  
AG Case #90-304503

Maintenance Tax; Protest Filed: 05-23-90 Period: 1989-1991 Amount: \$1,616,497	Asst. AAG Assigned:  Plaintiff's Counsel:	Gene Storie  Fred B. Werkenthin Jackson & Walker Austin
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Issue: Whether Tex. Ins. Code art. 21.07-6 is preempted by ERISA.

Status: One Plaintiff has submitted documentation supporting a refund. Case will be concluded in accordance with *NGS v. Barnes*, 998 F.2d 296 (5th Cir. 1993). Severance and final judgment entered for Metropolitan. Awaiting documentation for other Plaintiffs.

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**Principal Life Insurance Co. v. Rylander, et al.** Cause #99-06141  
AG Case #99-1173105

Retaliatory Tax; Refund & Declaratory Judgment Filed: 05/26/99 Period: 1998 Amount: \$256,577.79	Asst. AAG Assigned:  Plaintiff's Counsel:	Steve Rodriguez  Ron K. Eudy Sneed, Vine & Perry Austin
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Issue: Whether retaliatory insurance tax was improperly assessed because there is no similar Texas insurance company licensed and actually doing business in plaintiff's home state which paid more aggregate taxes than plaintiff. Plaintiff also seeks attorneys' fees.

Status: Settlement discussions in progress. Mediation held 01/17-18/01.

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**Redland Insurance Co. v. State of Texas, et al.** Cause #91-15487  
AG Case #91-168472

Gross Premium Tax; Protest Filed: 11-05-91 Period: 1991 Amount: \$157,098	Asst. AAG Assigned:  Plaintiff's Counsel:	Gene Storie  W. Hollis Webb, Jr. Harding, Bass, Fargason & Booth Lubbock
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Issue: Whether premium tax is preempted for crop insurance guaranteed by federal Department of Agriculture.

Status: Inactive. (Same issue was decided against Kansas in recent 10th Circuit case.) Requesting non-suit from Plaintiff.

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***Security National Insurance Co. v. Rylander, et al.*** Cause #GN001503

AG Case #001310820

Insurance Premium Tax; Protest Filed: 05/23/00 Period: 1995-1998 Amount: \$1,226,220.50	Asst. AAG Assigned:  Plaintiff's Counsel:	Blake Hawthorne  Jay A. Thompson Barry Bishop Clark, Thomas & Winters Austin
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Issue: Whether daily negative bank account balances should be adjusted to \$0 to compute the proper percentage of Texas investments for gross premiums tax.

Status: Answer filed.

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***Southwestern Life Insurance Co. v. Philip Barnes, et al.*** Cause #91-4800

#00-99-00719-CV

AG Case #91-60078

Gross Premium Tax; Protest Filed: 04-05-91 Period: 1990 Amount: \$231,114	Asst. AAG Assigned:  Plaintiff's Counsel:	Blake Hawthorne  L. G. "Skip" Smith David H. Gilliland Clark, Thomas & Winters Austin
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Issue: Whether an insurance taxpayer may take a credit for examination and valuation fees paid to Texas in one year against a later year's insurance taxes.

Status: Issue resolved against taxpayer in *Southwestern Life Insurance Co. v. Georgia Flint, et al.* Summary judgment hearing set 03/01/01.

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**Southwestern Life Insurance Co. v. Sharp, et al.** Cause #98-11945  
AG Case #98-1065840

Gross Premium Maintenance Tax; Protest Filed: 10/22/98 Period: 01/01/92-12/31/95 Amount: \$392,737	Asst. AAG Assigned:  Plaintiff's Counsel:	Gene Storie  L. G. "Skip" Smith Clark, Thomas & Winters Austin
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Issue: Whether certain transactions called "internal rollover" by Plaintiffs, consisting of substituting one insurance policy for a prior policy and transferring funds, result in gross premiums subject to tax.

Status: Answer filed. Will be determined as for *All American Life Insurance Co, et al. v. Sharp, et al.*

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**Southwestern Life Insurance Co. v. Rylander, et al.** Cause #GN000875  
AG Case #001288869

Gross Premium Maintenance Tax; Protest & Refund Filed: 03/24/00 Period: 01/01/96-12/31/98 Amount: \$384,446.75	Asst. AAG Assigned:  Plaintiff's Counsel:	Blake Hawthorne  L. G. "Skip" Smith David H. Gilliland Clark, Thomas & Winters Austin
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Issue: Whether certain transactions called "internal rollover" by Plaintiffs, consisting of substituting one insurance policy for a prior policy and transferring funds, result in gross premiums subject to tax.

Status: On hold pending outcome of *All American Life Insurance v. Rylander, et al.*

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**State Farm Life Insurance Co. v. Cornyn, Rylander, et al.** Cause #99-07980  
AG Case #99-1187642

Gross Premium Tax; Protest, Refund & Declaratory Judgment Filed: 07/13/99 Period: 1990 1992 1994 Amount: \$1,027,067.59 \$395,949.71 \$294,607.28	Asst. AAG Assigned:  Plaintiff's Counsel:	Christine Monzingo  Michael W. Jones Thompson, Coe, Cousins & Irons Austin
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Issue: Whether Plaintiff's debt instruments are mortgage loans or corporate bonds or other obligations for purposes of its Texas investments allocation. Whether Plaintiff's interests in limited partnerships qualified as real estate investments. Whether allocation of quarterly U.S. bond holdings was proper. Whether calculation of bank balances was proper. Alternatively, whether penalty should be waived. Plaintiff seeks attorneys' fees.

Status: Answer filed.

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***Texas Workers' Compensation Insurance Facility v. Comptroller*** Cause #96-07940  
AG Case #96-55551

Maintenance Tax; Declaratory Judgment Filed: 07/09/96 Period: 1992-1995 Amount: \$Not Stated	Asst. AAG Assigned:  Plaintiff's Counsel:	Gene Storie  Frank Stenger-Castro Fred Lewis Texas Workers' Compensation Insurance Facility Austin
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Issue: Plaintiff seeks a ruling that Rule 3.804(d) concerning a maintenance tax surcharge is invalid.

Status: Inactive. Court set on dismissal docket.

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***Texas Workers' Compensation Insurance Facility v. Comptroller, et al.*** Cause #97-03602  
AG Case #97-700580

Maintenance Tax; Refund Filed: 03/25/97 Period: 1992-1995 Amount: \$23,623,585	Asst. AAG Assigned:  Plaintiff's Counsel:	Gene Storie  Larry Parks Long, Burner, Parks & Sealey Austin
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Issue: Whether the Facility may recover from the State the maintenance tax surcharge which it reimbursed to insurers.

Status: Motion for summary judgment set 08/17/99. Passed. Motions for summary judgment to be reset. Amended motion for summary judgment filed. Hearing on cross motions set 03/07/01.

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**Union Fidelity Life Insurance Co. v. Rylander, et al.** Cause #99-06149  
AG Case #99-1173006

Retaliatory Tax; Protest & Declaratory Judgment	Asst. AAG Assigned:	Steve Rodriguez
Filed: 05/26/99	Plaintiff's Counsel:	Ron K. Eudy
Period: 1998		Sneed, Vine & Perry
Amount: \$147,554.42		Austin

Issue: Whether retaliatory insurance tax was improperly assessed because there is no similar Texas insurance company licensed and actually doing business in plaintiff's home state which paid more aggregate taxes than plaintiff. Plaintiff also seeks attorneys' fees.

Status: Settlement discussions in progress. Mediation held 01/17-18/01.

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**United American Insurance Co. v. Rylander, et al.** Cause #99-06836  
AG Case #99-1176355

Gross Premium Tax; Protest & Declaratory Judgment	Asst. AAG Assigned:	Christine Monzingo
Filed: 06/15/99	Plaintiff's Counsel:	Sam R. Perry
Period: 1990-1996		Sneed, Vine & Perry
Amount: \$1,262,878.98 \$7,487.00		Austin

Issue: Whether Plaintiff's investment in a limited partnership which held Texas mineral interests qualifies as a Texas investment for purposes of reducing Plaintiff's gross premiums tax rate. Whether investments in limited partnerships should be treated the same as investments in corporations. Whether Plaintiff was denied equal protection under the federal or state constitutions. Plaintiff also asks for attorneys' fees.

Status: Answer filed.

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**Universe Life Insurance Co. v. State of Texas** Cause #97-05106  
AG Case #97-727302

Insurance Tax; Protest	Asst. AAG Assigned:	Gene Storie
Filed: 04/29/97	Plaintiff's Counsel:	Larry Parks
Period: 1993		Long, Burner, Parks & Sealey
Amount: \$56,958		Austin

Issue: Whether plaintiff should be given credit against tax due for examination fees paid to the state in connection with a market conduct examination report ordered by the Texas Department of Insurance. Plaintiff also asks for penalty and interest waiver.

Status: Cross-motions for summary judgment heard 11/12/97. Summary judgment granted for Plaintiff. State has appealed. Case submitted without oral argument 07/06/98. Affirmed in part, reversed and remanded in part 03/11/99. State's motion for rehearing denied. Petition for review filed 06/01/99. Briefs on merits requested by Court. State's brief filed 10/18/99. Petition denied. Case remanded to trial court.

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***Universe Life Insurance Co., The v. Cornyn, et al.*** Cause #GN002605  
AG Case #001348580

Insurance Premium Tax Tax; Refund	Asst. AAG Assigned:	Gene Storie
Filed: 09/01/00	Plaintiff's Counsel:	Larry Parks
Period: 1993 1994		Long, Burner, Parks, McClellan & Delargy
Amount: \$87,288.51 \$426,620.38		Austin

Issue: Whether plaintiff should be given credit against tax due for examination fees paid to the state in connection with a market conduct examination report ordered by the Texas Department of Insurance. Plaintiff also asks for penalty and interest waiver.

Status: Answer filed.

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***Warranty Underwriters Insurance Co. v. Rylander, et al.*** Cause #99-12271  
AG Case #99-1226739

Insurance Tax; Protest & Declaratory Judgment	Asst. AAG Assigned:	Cecilia Gonzalez
Filed: 10/20/99	Plaintiff's Counsel:	Nanette K. Beard
Period: 1993-1997 1993-1997		Raymond E. White
Amount: \$416,462.73 \$214,893.74		Daniel Micciche
		Akin, Gump, Strauss, Hauer & Feld
		Austin

Issue: Whether the Comptroller improperly included amounts not received by Plaintiff in Plaintiff's gross premiums tax base. Whether any maintenance tax is payable on Plaintiff's business of home warranty insurance. Whether the Comptroller is bound by the prior actions and determinations of the Texas Department of Insurance. Whether the assessments of tax violate due process and equal taxation. Whether penalty and interest should have been waived.

Status: Informal discovery in progress.

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## Controlled Substances Tax

**Sanchez, Joseph I. & Zyle Glass & Anthony Montoya . Rylander, et al.** Cause  
#GN000444  
AG Case #001271006

Controlled Substances Tax; Declaratory Judgment Filed: 02/15/00 Period: 1992 1992 1993 Amount: \$35,843.28 \$47,670 \$42,000	Asst. AAG Assigned:  Plaintiff's Counsel:	Blake Hawthorne  Tom Moran Schneider & McKinney Houston
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Issue: Whether tax liens and tax assessments should be declared void as a violation of double jeopardy.

Status: Answer filed.

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## Other Taxes

**Buffalo ISD v. Comptroller** Cause #GV001433

AG Case #001376227

Property Tax; Administrative Appeal & Injunction Filed: 06/23/00 Period: 1999 Amount: \$Not Stated	Asst. AAG Assigned:  Plaintiff's Counsel:	Nicole Galwardi  Roy L. Armstrong Robert L. Meyers McCreary, Veselka, Bragg & Allen Austin
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Issue: Whether the Comptroller erred by not properly selecting and inspecting sample properties.

Status: Answer filed.

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**Burleson ISD v. Comptroller** Cause #GN002130

AG Case #001339878

Property Tax; Administrative Appeal Filed: 07/27/00 Period: Amount: \$Not Stated	Asst. AAG Assigned:  Plaintiff's Counsel:	Nicole Galwardi  Robert Mott Joseph Longoria Perdue, Brandon, Fielder, Collins & Mott Houston
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Issue: Whether the Comptroller acted arbitrarily and did not satisfy the burden of proof in the administrative process.

Status: Answer filed.

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**Caldwell, Marcie v. Rylander** Cause #99-13088  
AG Case #99-1234329

Declaratory Judgment Tax; Declaratory Judgment Filed: 11/08/99 Period: 1992-Present Amount: \$	Asst. AAG Assigned:  Plaintiff's Counsel:	Christopher Jackson  Joe K. Crews Diane S. Jacobs Ivy, Crews & Elliott Austin
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Issue: Whether county court fees collected from persons who are convicted of any criminal offense are constitutional. Plaintiff seeks class action declaratory and injunctive relief to prevent Comptroller from collecting fees. Plaintiff also seeks attorneys' fees.

Status: Plea to Jurisdiction denied 01/06/00. Preparing Interlocutory Appeal. Oral argument set 04/26/00. Trial court decision holding jurisdiction affirmed. Plaintiff waived all rights to refund of court costs. Summary Judgment filed. County Association Amicus brief filed.

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**Castleberry ISD; Ennis ISD; Canyon ISD; La Porte ISD v. Texas Comptroller**  
Cause #96-08010  
AG Case #96-599817

Property Tax; Declaratory Judgment Filed: 07/11/96 Period: 1994 Amount: \$Not stated	Asst. AAG Assigned:  Plaintiff's Counsel:	Gene Storie  Robert Mott Joseph Longoria Perdue, Brandon, Fielder, Collins & Mott Houston
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Issue: Various issues concerning the validity of the Comptroller's property value study.

Status: Answer and Special Exception filed. Inactive. Settlement reached with Canyon ISD. Only La Porte ISD is now pending. LaPorte ISD has made a settlement offer. Discovery in progress.

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**Centerville ISD v. Comptroller** Cause #GV001431  
AG Case #001376243

Property Tax;  
Administrative Appeal &  
Injunction  
Filed: 06/23/00  
Period: 1999  
Amount: \$Not Stated

Asst. AAG Assigned:  
  
Plaintiff's Counsel:

Nicole Galwardi  
  
Roy L. Armstrong  
Robert L. Meyers  
McCreary, Veselka, Bragg  
& Allen  
Austin/Waco

Issue: Whether the Comptroller erred by not properly selecting and inspecting sample properties.

Status: Answer filed.

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**Chevron USA, Inc. v. Sharp, et al.** Cause #96-06931  
AG Case #96-538704

Natural Gas Production Tax;  
Refund  
Filed: 06/13/96  
Period: 08/18/90  
Amount: \$157,463

Asst. AAG Assigned:  
  
Plaintiff's Counsel:

Steve Rodriguez  
  
Mark W. Eidman  
Ray Langenberg  
Scott, Douglass &  
McConnico  
Austin

Issue: Whether tax should have been assessed on Order 94 payments.

Status: Discussions in progress.

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**Chrysler Financial Co., L.L.C. v. Rylander, et al.** Cause #99-13243  
AG Case #99-1238189

Motor Vehicle Tax; Refund  
Filed: 11/12/99  
Period: 10/01/90-11/30/96  
Amount: \$3,405,494.49

Asst. AAG Assigned:

Jim Cloudt

Plaintiff's Counsel:

Mark W. Eidman  
Scott, Douglass &  
McConnico  
Austin

David E .Otero  
Akerman, Senterfitt &  
Eidson  
Florida

Issue: Whether Plaintiff, as assignee of installment contracts with Chrysler dealers, is entitled to a refund under the bad debt credit provision in the sales tax for taxes on motor vehicles that were not paid by defaulting vehicle purchasers. Whether there is any rational basis to distinguish between vehicle sales and other sales or between vehicle rental receipts and vehicle sales receipts for purposes of bad debt relief.

Status: Answer filed.

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***Cockrill, Charles T. v. Comptroller of Public Accounts, et al.*** Cause #CJ-00-308  
AG Case #001368513

Property Tax; Declaratory  
Judgment  
Filed: 10/12/00  
Period:  
Amount: \$99,425.50

Asst. AAG Assigned:

Gene Storie

Plaintiff's Counsel:

Douglas L. Jackson  
Vance T. Nye  
Gungoll, Jackson, Collins,  
Box & Devoll  
Enid, Oklahoma

Issue: Whether the Comptroller asserts any interest in art works that were sold by a taxpayer subject to a tax lien.

Status: Comptroller disclaims interest.

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**Deweyville ISD v. Rylander** Cause #GV001637  
AG Case #001335355

Property Tax; Declaratory Judgment	Asst. AAG Assigned:	Nicole Galwardi
Filed: 07/14/00	Plaintiff's Counsel:	John H. Wofford
Period: 1999		Law Office of John H. Wofford
Amount: \$Not Stated		Austin

Issue: Whether the Comptroller erred by not properly selecting and inspecting sample properties. Whether the Comptroller failed to acknowledge local economic conditions, to timely provide a "clerical errors" report, and to accept additional information.

Status: Answer filed.

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**El Paso Natural Gas Co. v. Sharp** Cause #91-6309  
AG Case #91-78237

Gas Production Tax; Declaratory Judgment	Asst. AAG Assigned:	Steve Rodriguez
Filed: 05/06/91	Plaintiff's Counsel:	Alfred H. Ebert, Jr.
Period: 01/01/87 - 12/31/87		Andrews & Kurth
Amount: \$10,337,786		Houston

Issue: Whether Comptroller should have granted Plaintiff a hearing on penalty waiver and related issues.

Status: State's Plea in Abatement granted pending outcome of administrative hearing on audit liability. Negotiations pending.

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**Fort Davis ISD v. Comptroller** Cause #GV001764  
AG Case #001339852

Property Tax; Declaratory Judgment	Asst. AAG Assigned:	Nicole Galwardi
Filed: 07/28/00	Plaintiff's Counsel:	James R. Evans, Jr.
Period: 1999		Linebarger Heard Goggan
Amount: \$Not Stated		Blair Graham Pena & Sampson
		Austin

Issue: Whether the Comptroller erred by not properly selecting and inspecting sample properties. Whether the Comptroller failed to acknowledge local economic conditions, to timely provide a “clerical errors” report, and to accept additional information.

Status: Answer filed.

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**Hernandez, Juan Luis v. Rylander, et al.** Cause #C-294-00-G  
AG Case #001365550

Declaratory Judgment Tax; Declaratory Judgment Filed: 10/03/00 Period: 12/22/92 Amount: \$24,451.35 \$33,252.57	Asst. AAG Assigned:  Plaintiff's Counsel:	Blake Hawthorne  Kelly K. McKinnis McAllen
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Issue: Whether drug tax liens were mistakenly filed on Plaintiff.

Status: Answer filed.

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**MFC Finance Company of Texas v. Rylander, et al.** Cause #GN002653  
AG Case #001352632

Motor Vehicle Sales Tax; Refund Filed: 09/07/00 Period: 01/01/96-12/31/98 Amount: \$5,533,079.80	Asst. AAG Assigned:  Plaintiff's Counsel:	Jim Cloudt  Mark W. Eidman Ray Langenberg Scott, Douglass & McConnico Austin
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Issue: Whether Plaintiff is entitled to tax credit and refund as provided under the sales tax bad debt statute for motor vehicle taxes on installment sales where the purchaser defaulted. Whether the refusal to allow a refund violates equal taxation because there is no rational basis to treat installment sellers of vehicles differently than vehicle renters and other retailers.

Status: Answer filed.

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**MFN Financial Corp. v. Rylander, et al.** Cause #GN002650  
AG Case #001352129

Motor Vehicle Sales Tax; Refund	Asst. AAG Assigned:	Jim Cloudt
Filed: 09/07/00	Plaintiff's Counsel:	Mark W. Eidman
Period: 01/01/96-12/31/98		Ray Langenberg
Amount: \$5,533,079.80		Scott, Douglass & McConnico

Issue: Whether Plaintiff is entitled to tax credit and refund as provided under the sales tax bad debt statute for motor vehicle taxes on installment sales where the purchaser defaulted. Whether the refusal to allow a refund violates equal taxation because there is no rational basis to treat installment sellers of vehicles differently than vehicle renters and other retailers.

Status: Answer filed.

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**Marathon Oil Co. v. Rylander, et al.** Cause #GN000328  
AG Case #001261395

Gas/Oil Production Tax Tax; Refund & Declaratory Judgment	Asst. AAG Assigned:	Jim Cloudt
Filed: 01/10/00	Plaintiff's Counsel:	Hak K. Dickenson
Period: 1994-1997		Marathon Oil Co.
Amount: \$1,363,482.60		Houston

Issue: Whether the market value of oil for the production tax must be reduced by Plaintiff's marketing and processing costs. Whether taxing oil and gas production differently violates equal protection and uniform taxation. Whether the Comptroller's policy on allowable deductions is arbitrary and denies due process. Whether the Comptroller's policy is invalid because it was not adopted as a rule.

Status: Discovery in progress.

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**McCarty-Hull Cigar Co. v. Sharp, et al.** Cause #98-14217  
AG Case #99-1093196

Protest Tax; Refund Filed: 12/22/98 Period: 09/01/93-06/30/96 Amount: \$33,582.58	Asst. AAG Assigned:  Plaintiff's Counsel:	Scott Simmons  Tom Tourtellotte Tourtellotte & Kennon Austin
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Issue: Whether tax base for cigar and tobacco tax was properly calculated for inventory bought for reduced prices or on a "two-for-one" basis.

Status: Discovery in progress.

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**McCarty-Hull Cigar Co. v. Rylander, et al.** Cause #99-01996  
AG Case #99-1125014

Protest Tax; Refund Filed: 02/19/99 Period: 09/01/93-06/30/96 Amount: \$40,404.49	Asst. AAG Assigned:  Plaintiff's Counsel:	Scott Simmons  Tom Tourtellotte Tourtellotte & Kennon Austin
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Issue: Whether promotional allowances or two-for-one sales were "ongoing" or "uniform price" transactions rather than trade discount, special discount or deal for purposes of determining the manufacturer's list price.

Status: Defendant's first amended original answer and plea to jurisdiction filed. Discovery in progress.

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**New Crew Quarters 2, Inc. v. Rylander, et al.** Cause #GN002606  
AG Case #001352111

Mixed Beverage Gross Receipts Tax; Declaratory Judgment Filed: 09/01/00 Period: 09/01/93-02/28/97 Amount: \$216,325.07	Asst. AAG Assigned:  Plaintiff's Counsel:	Blake Hawthorne  Mark W. Eidman Ray Langenberg Curtis J. Osterloh Scott, Douglass & McConnico
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Issue: Whether audit incorrectly assessed mixed beverage tax by failing to consider changes in inventory and periods of business closures. Whether 50% fraud penalty was incorrectly assessed where some of the Plaintiff's books and records were destroyed by fire. Plaintiff also seeks attorneys' fees.

Status: Discovery in progress.

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**Oakwood ISD v. Comptroller** Cause #GV001432

AG Case #001376201

Property Tax; Administrative

Asst. AAG Assigned:

Nicole Galwardi

Appeal & Injunction

Filed: 06/23/00

Plaintiff's Counsel:

Roy L. Armstrong

Period: 1999

Robert L. Meyers

Amount: \$Not Stated

McCreary, Veselka, Bragg  
& Allen

Issue: Whether the Comptroller erred by not properly selecting and inspecting sample properties.

Status: Answer filed.

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**P.W. Jones Oil Co., Inc. v. Sharp, et al.** Cause #96-02941

AG Case #96-485280

Diesel Fuel Tax; Injunction

Asst. AAG Assigned:

Steve Rodriguez

Filed: 03/12/96

Period: 1989-1993

Plaintiff's Counsel:

John A. Leonard

Amount: \$176,959

Russell & Leonard  
Wichita Falls

Issue: Whether Plaintiff can rebut the presumption that the sale of diesel fuel is taxable. Plaintiff also asks for an injunction to stop collection action.

Status: Inactive.

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**Preston Motors by George L. Preston, Owner v. Sharp, et al.** Cause #91-11987  
AG Case #91-133170

Motor Vehicle Tax; Protest Filed: 08/26/91 Period: 12/01/86 - 09/30/89 Amount: \$21,796	Asst. AAG Assigned:  Plaintiff's Counsel:	Jim Cloudt  George L. Preston Paris
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Issue: Whether motor vehicle tax should fall on dealer/seller rather than the purchaser under §152.044.  
Related constitutional issues.

Status: Inactive.

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**Travis Co., et al. v. Lot 1, Baker Dale Addn.** Cause #X99-01147  
AG Case #99-1195629

Property Tax; Ad Valorem Filed: 08/04/99 Period: 1994-1998 Amount: \$112,123.6	Asst. AAG Assigned:  Plaintiff's Counsel:	James Parsons  Carol V.M. Garcia Assistant Travis County Attorney Austin
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Issue: Whether properties in which the University of Texas System owns an interest may be foreclosed  
for payment of property taxes.

Status: Discovery in progress. Settlement negotiations in progress.

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**Union Standard Insurance Co. v. Rylander, et al.** Cause #GN003565  
AG Case #011395308

Insurance Premium Tax Tax; Protest Filed: 12/13/00 Period: 01/01/93-12/31/96 Amount: \$216,572.39	Asst. AAG Assigned:  Plaintiff's Counsel:	Blake Hawthorne  Jim Shawn Ron K. Eudy Sneed, Vine & Perry Austin
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Issue: Whether “cash fund investments” are Texas investments under the property and casualty insurance premium tax in effect during the audit period. Whether the property and casualty insurance premium tax should be interpreted like the life insurance premium tax. Whether Plaintiff is entitled to detrimental reliance relief because its qualified investment was not challenged by the Department of Insurance. Alternatively, whether Plaintiff should recover interest because of delay by the Comptroller in reaching a decision.

Status: Answer filed.

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**Valentine ISD v. Comptroller** Cause #GV001763

AG Case #001339860

Property Tax; Administrative  
Appeal

Filed: 07/28/00

Period: 1999

Amount: \$Not Stated

Asst. AAG Assigned:

Plaintiff's Counsel:

Nicole Galwardi

James R. Evans, Jr.  
Linebarger Heard Goggan  
Blair Graham Pena &  
Sampson  
Austin

Issue: Whether the Comptroller erred by not properly selecting and valuing sample properties. Whether the Comptroller failed to consider local modifiers, sales, and market information.

Status: Answer filed.

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## Closed Cases

### **3 Beall Brothers 3, Inc. v. Sharp, et al.** Cause #97-05710

AG Case #97-736089

Franchise Tax; Refund  
Filed: 05/12/97  
Period: 1993  
Amount: \$732,559

Asst. AAG Assigned:

Christine Monzingo

Plaintiff's Counsel:

Mark W. Eidman  
Ray Langenberg  
Scott, Douglass &  
McConnico  
Austin

Issue: Plaintiff challenges franchise "additional" tax imposed after Plaintiff merged out of existence, on the grounds that the tax discriminates without a rational basis between fiscal and calendar-year taxpayers, under state and federal equal taxation provisions, and violates the federal commerce clause nexus and fair relation tests.

Status: Judgment for Plaintiff on 06/25/98. Judgment reversed and rendered by the Third Court of Appeals. Texas Supreme Court denied Plaintiff's petition for review on 03/23/00. Motion for rehearing due 04/07/00. *See Rylander v. 3 Beall Brothers 3, Inc., 2 S.W.3d 562 (Tex. App.-Austin 1999, pet. den.)*

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### **Adams Resources & Energy, Inc., Service Transport Co. and ADA Crude Oil Co. v. Comptroller** Cause #98-08575

AG Case #98-1008774

Franchise Tax; Refund  
Filed: 08/05/98  
Period: 1993-1996  
Amount: \$77,428

Asst. AAG Assigned:

Christopher Jackson

Plaintiff's Counsel:

Philip P. Sudan, Jr.  
Mark F. Elvig  
Ryan & Sudan  
Houston

Issue: Whether Plaintiff's officer and director compensation should be added to taxable surplus for franchise tax purposes.

Status: Dismissed 12/28/00.

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**American & Foreign Insurance Co., Royal Indemnity Co., Royal Insurance Co. of America and Safeguard Insurance Co. v. TDI; Jose Montemayor, Cmsr.; Cornyn; Rylander; CPA; and Texas Public Finance Authority** Cause #99-06208  
AG Case #99-1172917

Maintenance Tax; Refund &  
Declaratory Judgment

Filed: 05/27/99

Period: 1998

1998

1998

1998

Amount: \$2,036.27

\$17,389.16

\$43,339.45

\$32.41

Asst. AAG Assigned:

Gene Storie

Plaintiff's Counsel:

Stephen L. Phillips

Julie K. Lane

Roan & Autrey

Austin

Issue: Whether the workers' compensation maintenance tax surcharge should be calculated on premiums actually written or premiums including deductible amounts.

Status: Non-suited.

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**AT&T Corp. and AT&T Communications of the Southwest, Inc. v. Sharp, et al.**

Cause #97-02005

AG Case #97-682939

Misc. Gross Receipts &  
PUC Gross Receipts Tax;

Refund

Filed: 02/19/97

Period: 10/01/79-06/30/88

Amount: \$34,401,333

(gross receipts)

\$7,990,267 (PUC

assessments)

Asst. AAG Assigned:

Jim Cloudt

Plaintiff's Counsel:

Jasper G. Taylor, III

Fulbright & Jaworski

Houston

Issue: Whether taxpayers similarly situated to AT&T were not required to pay gross receipts tax and PUC assessments, as AT&T was, resulting in discrimination against Plaintiff under the equal and uniform taxation clause of the Texas Constitution and the equal protection clause of the U.S. Constitution.

Status: Hearing on State's objections to discovery held 06/25/97. Objections upheld. Trial held 01/05/98. Court ruled for State 01/09/98. Plaintiff filed notice of appeal. Plaintiff's brief was due 10/26/98. Appellee's brief filed 11/24/98; Appellant's reply was due 01/14/99. Oral argument held 03/4/99. Judgment for State affirmed 08/26/99. Petition for review filed. Response filed. Petitioner's brief filed 02/25/00. Respondents' brief filed 03/16/00. Petitioner's reply filed 03/31/00. Petition denied 09/14/00. Motion for rehearing filed. Response to motion for rehearing filed 11/21/00. Motion for rehearing denied 12/07/00.

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***Brown, William A. d/b/a Nortex Investigative Services v. Sharp, et al.*** Cause #96-06158  
AG Case #96-529466

Sales Tax; Declaratory Judgment & Injunction Filed: 05/29/96 Period: 01/01/90-12/31/93 Amount: \$30,992	Asst. AAG Assigned:  Plaintiff's Counsel:	James Parsons  Gary L. Waite Attorney at Law Paris
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Issue: Whether Plaintiff is liable for sales tax on its security services. Whether Plaintiff relied to its detriment on erroneous advice from the Comptroller.

Status: Answer and plea to the jurisdiction filed. Discovery in progress. Motion for Summary Judgment heard and granted 02/25/00; signed 02/28/00.

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***Capital Guidance Associates IV v. Sharp, et al.*** Cause #97-06501  
AG Case #97-752471

Sales Tax; Protest Filed: 06/03/97 Period: 07/01/90-03/31/94 Amount: \$39,882	Asst. AAG Assigned:  Plaintiff's Counsel:	Blake Hawthorne  Tom Tourtellotte Tourtellotte & Kennon Austin
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Issue: Claim for refund under prior contract exemption and Rule 3.319, as it was in effect until 1992. Whether the Comptroller could pass a rule contrary to Rule 3.319 and apply it retroactively. Issue involves exemption for two-party vs. three-party contracts and a policy change.

Status: Dismissed.

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***Celadon Trucking Services, Inc. v. Sharp, et al.*** Cause #97-00827

AG Case #97-662443

Interstate Motor Carrier Sales Tax; Protest Filed: 01/22/97 Period: 02/88-02/92 Amount: \$1,151,784	Asst. AAG Assigned:  Plaintiff's Counsel:	Jim Cloudt  Mark W. Eidman Ray Langenberg Scott, Douglass & McConnico Austin
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Issue: Whether the residual value of leased vehicles should be deducted from the lease price that is taxed, when the vehicles are sold back to the lessors at the end of the lease. Whether the tax is fairly apportioned given the amount of business Plaintiff conducts in Mexico.

Status: Discovery in progress. Settled.

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***Chevron Chemical Co. v. Rylander, et al.*** Cause #99-06650

AG Case #99-1178021

Sales Tax; Refund Filed: 06/09/99 Period: 12/31/88-06/30/92 Amount: \$624,887.13	Asst. AAG Assigned:  Plaintiff's Counsel:	Cecilia Gonzalez  Mark W. Eidman Ray Langenberg Curtis J. Osterloh Scott, Douglass & McConnico Austin
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Issue: Whether installation of Plaintiff's extruder was non-taxable new construction. Whether any taxable modification of real property was less than 5% of the total charge. Alternatively, whether demolition and construction management services were non-taxable unrelated services. Whether security services were non-taxable property management services. Whether services performed by Brown & Root and Industrial Technicians qualified as non-taxable employee services.

Status: Discovery in progress. Settled.

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***Chevron USA, Inc. v. Sharp, et al.*** Cause #97-05867  
AG Case #97-739594

Motor Fuels Tax; Refund  
Filed: 05/15/97  
Period: 04/01/90-03/31/94  
Amount: \$316,460

Asst. AAG Assigned:

Gene Storie

Plaintiff's Counsel:

Mark W. Eidman  
Ray Langenberg  
Scott, Douglass &  
McConnico  
Austin

Issue: Plaintiff is a petroleum refiner and a diesel fuel bonded supplier. The Comptroller denied refund claims because they were barred by the one-year statute of limitations in §153.224. Plaintiff contends that the statute of limitations in §111.104 (c) is applicable; that an agreement to extend the statute of limitations applied to Plaintiff's refund request; that the one-year statute does not apply because the refund claim is not made pursuant to Chapter 153 (Motor Fuels Tax); that the Comptroller's guidelines apply the four-year statute in circumstances similar to Plaintiff's; and that, in the alternative, the one-year statute is unconstitutional. There is also a detrimental reliance claim.

Status: Agreed Judgment.

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***Cinco Hermanos, Inc. v. Sharp, et al.*** Cause #97-13533  
AG Case #97-864270

Sales Tax; Protest  
Filed: 12/04/97  
Period: Not stated  
Amount: \$70,153

Asst. AAG Assigned:

Christopher Jackson

Plaintiff's Counsel:

Timothy M. Trickey  
The Trickey Law Firm  
Austin

Issue: Whether export certificates accepted by a seller that are dated before or more than 30 days after the purchase in question are invalid on their face or merely raise a presumption of non-export.

Status: Answer filed. Settlement reached. Judgment.

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**Computer Systems of America, Inc. v. Sharp, et al.** Cause #96-15311  
AG Case #97-651758

Sales Tax; Protest Filed: 12/23/96 Period: 12/01/87-10/31/92 Amount: \$51,956	Asst. AAG Assigned:  Plaintiff's Counsel:	Steve Rodriguez  Mark Hopkins Attorney at Law Austin, Texas
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Issue: Whether penalty and interest should have been waived by the Comptroller on the audit liability.

Status: Discovery in progress. Trial set for 05/01/00. Motion for Continuance to be filed. Settled.

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**Consigned Sales Distributors, Inc. v. Sharp, et al.** Cause #95-06984  
AG Case #95-300392

Franchise Tax; Refund Filed: 06/05/95 Period: 1989-1992 Amount: \$723	Asst. AAG Assigned:  Plaintiff's Counsel:	Christine Monzingo  Fred O. Marcus Horwood, Marcus & Braun Chicago, Illinois  David E. Cowling Jones, Day, Reavis & Pogue Dallas
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Issue: Whether the Texas franchise tax is a tax imposed on or measured by net income for purposes of Public Law 86-272; if so, Plaintiff contends that it is not subject to the Texas franchise tax. Whether Plaintiff is doing business in Texas. Whether post-retirement benefits should be included in taxable surplus.

Status: Dismissed for want of prosecution on 03/13/00.

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**Dallas SMSA Partnership v. Sharp, et al.** Cause #97-09713  
AG Case #97-801766

Sales Tax; Refund Filed: 08/22/97 Period: 01/89-08/31/92 Amount: \$99,349	Asst. AAG Assigned:  Plaintiff's Counsel:	Steve Rodriguez  Mark W. Eidman Ray Langenberg Scott, Douglass & McConnico Austin
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Issue: Whether engineering services were part of the sales price of tangible personal property sold to Plaintiff.

Status: Summary Judgment for Plaintiff signed 01/20/99. Appellate briefs filed. Oral argument held 10/27/99. Court of Appeals rendered decision for taxpayers 01/06/00. New final decision rendered 02/03/00.

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***Davis, Mary v. Sharp, et al.*** Cause #97-09703

AG Case #97-801230

Motor Vehicle Tax; Refund  
Filed: 08/22/97  
Period: 1994  
Amount: \$1,300

Asst. AAG Assigned:

Christopher Jackson

Plaintiff's Counsel:

David H. Gilliland  
Clark, Thomas & Winters  
Austin

Issue: Whether Plaintiff is entitled to an exemption from motor vehicle tax under §152.086, which includes an exemption for motor vehicles modified by or for the transportation of an orthopedically handicapped person.

Status: Nonsuited.

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***Etan Industries, Inc. v. Sharp, et al.*** Cause #98-13227

AG Case #98-1083579

Sales Tax; Protest  
Filed: 11/25/98  
Period: 09/01/92-01/31/96  
Amount: \$456,156.99

Asst. AAG Assigned:

Christopher Jackson

Plaintiff's Counsel:

Mark W. Eidman  
Ray Langenberg  
Curtis J. Osterloh  
Scott, Douglass &  
McConnico  
Austin

Issue: Whether debt collection services purchased by Etan in connection with its debt collection services for its clients are exempt as a sale for resale of taxable services.

Status: Case settled.

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**Fleming Foods of Texas, Inc. v. Sharp, et al.** Cause #94-14234  
Appellate Cause No. 03-96-00477-CV  
AG Case #94-180096

Sales Tax; Protest Filed: 11/14/94 Period: 07/01/85-06/30/89 Amount: \$353,874	Asst. AAG Assigned:  Plaintiff's Counsel:	Steve Rodriguez  J. Scott Morris Attorney at Law Austin
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Issue: Whether both the taxpayer and its vendor must timely waive the statute of limitations in order to have it kept open for the taxpayer to claim a refund of, or credit for, sales tax paid to the vendor. Also, Plaintiff contends the Comptroller did not initially enforce a new rule concerning tax on janitorial services and that tax voluntarily paid by the taxpayer should be refunded.

Status: Judgment for State signed 05/03/96. Appealed and argued before Court of Appeals. Affirmed 08/28/97. Taxpayer's Motion for Rehearing overruled. Writ (Petition for Review) denied 02/26/98. Motion for rehearing of denial of writ (petition) filed 03/13/98. Granted 09/98. Set for submission 11/18/98. Judgment for Plaintiff. Motion for Rehearing filed. Supreme Court rendered new decision for taxpayers.

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**Gant, Jesse A., Estate of v. Comptroller, et al.** Cause #96-07733  
AG Case #96-555579

Inheritance Tax; Declaratory Judgment Filed: 07/03/96 Period: 07/24/92 Amount: \$Not stated	Asst. AAG Assigned:  Plaintiff's Counsel:	Steve Rodriguez  Peter K. Munson Munson, Munson, Pierce & Cardwell Sherman
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Issue: Whether penalty should be waived.

Status: Dismissed 11/04/99.

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**Haber Fabrics Corp. v. Sharp, et al.** Cause #96-11802  
AG Case #96-611624

Sales Tax; Protest Filed: 09/30/96 Period: 01/01/90-11/30/93 Amount: \$84,984	Asst. AAG Assigned:  Plaintiff's Counsel:	Jim Cloudt  Robert M. Nicoud, Jr. Robert E. Birne Olson Gibbons Sartain Nicoud Birne Sussman & Gueck Dallas
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Issue: Whether wrapping and packaging and purchases of natural gas and electricity were exempt as being used in manufacturing.

Status: Bench Trial heard 01/20/99. Court granted exemptions for packaging, wrapping and electricity, but not natural gas. Defendants' Motion for New Trial is pending. Findings of Fact and Conclusions of Law filed by the Court 03/15/99. Defendant filed Notice of Appeal 05/10/99. Appellant's brief filed 07/08/99. Appellee's brief filed 08/08/99. Reply filed 08/26/99. Oral argument held 12/01/99. Decision for taxpayer affirmed.

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**Hoffer Furniture Rental, Inc. v. Sharp** Cause #95-15906  
AG Case #96-438019

Sales Tax; Declaratory Judgment Filed: 12/29/95 Period: 01/01/89-10/31/92 Amount: \$110,665	Asst. AAG Assigned:  Plaintiff's Counsel:	Blake Hawthorne  L. Don Knight Meyer, Knight & Williams Houston
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Issue: Whether Plaintiff's sales of insurance contracts (to cover damage to furniture it sells or leases) are taxable.

Status: Dismissed for want of prosecution 12/19/00.

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**Houston Industries, Inc. v. Sharp, et al.** Cause #98-11344  
AG Case #98-1063316

Franchise Tax; Refund Filed: 10/08/98 Period: 01/01/93-10/08/93 Amount: \$1,676,116	Asst. AAG Assigned:  Plaintiff's Counsel:	Christine Monzingo  Gerard A. Desrochers Baker Botts Houston
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Issue: Plaintiff challenges franchise "additional" tax imposed on a company that merged into Plaintiff and ceased to exist, on the grounds that the tax discriminates under state and federal equal taxation provisions.

Status: Motion for summary judgment set for hearing on 11/16/00. Plaintiff non-suited. See *Rylander v. 3 Beall Brothers 3, Inc.*, 2 S.W.3d 562 (Tex. App. - Austin 1999, pet. den.)

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**Houston Industries Building, Inc. v. Rylander, et al.** Cause #99-04219  
AG Case #99-1152984

Sales Tax; Refund Filed: 04/09/99 Period: 10/01/93-03/31/96 Amount: \$960,867.93	Asst. AAG Assigned:  Plaintiff's Counsel:	Steve Rodriguez  L.G. "Skip" Smith David H. Gilliland Clark, Thomas & Winters Austin
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Issue: Whether removal of asbestos is an exempt service.

Status: Settled in accordance with *Associated Technics*.

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**Irv-Tex Coin Laundries, Inc. v. Sharp, et al.** Cause #93-01350  
AG Case #93-222579

Sales Tax; Protest Filed: 02/04/93 Period: 01/88-10/91 Amount: \$25,931	Asst. AAG Assigned:  Plaintiff's Counsel:	Nicole Galwardi  Jimmy L. Heisz & W. Wade Porter Haynes & Boone Dallas and Austin
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Issue: Taxability of buffer pads, wax, polish, etc. when sold to body shops and new car dealers by way of a separated contract.

Status: Dismissed.

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***Kandi Sue, Inc. v. Sharp, et al.*** Cause #94-14073

AG Case #94-176797

Sales Tax; Protest Filed: 11/8/94 Period: 10/01/91-12/31/91 Amount: \$7,757	Asst. AAG Assigned:  Plaintiff's Counsel:	Blake Hawthorne  Mark Blakemore Royston, Razor, Vickery & Williams Brownsville
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Issue: Whether the purchase of a shrimp trawler was exempt from tax as an occasional sale (identifiable segment of the business).

Status: Non-suited.

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***Kerrville ISD v. Comptroller*** Cause #98-08168

AG Case #98-1014962

Property Tax; Substantial Evidence Review Filed: 07/28/98 Period: 1997 Amount: \$Not stated	Asst. AAG Assigned:  Plaintiff's Counsel:	Gene Storie  Roy L. Armstrong Shelburne J. Veselka McCreary, Veselka, Bragg & Allen Austin
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Issue: Whether the Comptroller's property value study was incorrect in that the Comptroller failed to use samples of properties selected through generally accepted sampling techniques and failed to perform the value study according to generally accepted standard valuation, statistical compilation and analysis techniques.

Status: Settlement discussions in progress. Settlement reached. Final Judgment signed.

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**Kraft Foods, Inc. v. Rylander, et al.** Cause #99-05522  
AG Case #99-1166778

Franchise Tax; Protest & Declaratory Judgment	Asst. AAG Assigned:	Christine Monzingo
Filed: 05/12/99	Plaintiff's Counsel:	Gilbert J. Bernal, Jr. James F. Martens Stahl, Martens & Bernal Austin
Period: 1994		
Amount: \$1,257,944.51		

Issue: Whether imposition of the additional tax after Plaintiff's merger violates the commerce clause, due process, equal protection or equal taxation. Whether Plaintiff may recover attorneys' fees.

Status: Non-suited.

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**Lake Charles Yamaha, Inc. v. Sharp** Cause #97-05737  
AG Case #97-736070

Sales Tax; Declaratory Judgment	Asst. AAG Assigned:	Gene Storie
Filed: 05/13/97	Plaintiff's Counsel:	Russell J. Stutes, Jr. Scofield, Gerard, Veron, Singletary & Pohorelsky Lake Charles, Louisiana
Period: 04/01/91-03/31/95		
Amount: \$150,214		

Issue: Plaintiff asserts that it has no nexus with Texas and cannot be assessed sales tax, although it concedes that it delivers merchandise into Texas in its own trucks.

Status: Plaintiff's discovery responses overdue. On dismissal docket. Dismissed 07/25/00.

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**Lake Worth ISD, et al. v. Texas Comptroller of Public Accounts** Cause #97-08882  
AG Case #97-793052

Property Tax; Substantial Evidence Review	Asst. AAG Assigned:	Christine Monzingo
Filed: 08/05/97	Plaintiff's Counsel:	Russell R. Graham Calame, Linebarger, Graham & Pena Austin
Period: 1996		
Amount: \$Not stated		

Issue: Whether the Comptroller's property value study is incorrect in that it misstates the market value of the subject property and causes the estimate of market value for Category F to exceed the actual market value of the School District's 1996 tax base, depriving it of state aid to which it is legally entitled.

Status: Non-suited.

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**Landgraf, Larry A. dba Landgraf & Co., Inc. v. Rylander, et al.** Cause #99-00186  
AG Case #2-465846049-8

Sales Tax; Injunction Filed: 06/30/99 Period: Amount: \$	Asst. AAG Assigned:  Plaintiff's Counsel:	Blake Hawthorne  Larry A. Landgraf, Pro Se
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Issue: Whether the Comptroller and the State have engaged in grand larceny, conspiracy, invasion of privacy, etc. in collecting sales tax and canceling Plaintiff's sales tax permit.

Status: Defendant's Plea to the Jurisdiction granted 04/03/00. Case dismissed with prejudice.

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**Laney, James M. v. Sharp, et al.** Cause #97-08525  
AG Case #97-782484

Sales Tax; Declaratory Judgment & Refund Filed: 07/25/97 Period: 10/01/89-07/31/93 Amount: \$91,744	Asst. AAG Assigned:  Plaintiff's Counsel:	Cecilia Gonzalez  Howard V. Rose Brown McCarroll & Oaks Hartline Austin
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Issue: Whether the Comptroller complied with the law governing sample audits. Whether the agreement extending the statute of limitations was timely signed.

Status: Judgment for Defendants.

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**LTV Steel Co., Inc. v. Sharp, et al.** Cause #97-02822  
AG Case #97-690528

Franchise Tax; Refund Filed: 03/07/97 Period: 1988-1991 Amount: \$337,869	Asst. AAG Assigned:  Plaintiff's Counsel:	Christine Monzingo  Michael V. Powell Kathleen Galloway Locke Purnell Rain Harrell Dallas
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Issue: Whether a liability payable to the Pension Benefit Guaranty Corp. pursuant to ERISA is a debt for franchise tax purposes. Whether §171.109 (a) of the Tax Code is preempted by ERISA.

Status: Settled.

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**Lucky Lady Oil Co. v. Rylander, et al.** Cause #99-01731  
AG Case #99-1124769

Sales Tax; Protest Filed: 02/12/99 Period: 06/01/88-12/31/91 Amount: \$402,951.08	Asst. AAG Assigned:  Plaintiff's Counsel:	Jim Cloudt  Timothy M. Trickey The Trickey Law Firm Austin
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Issue: Whether taxpayer's liability for diesel fuels tax was properly computed. Whether the Comptroller should waive penalty and interest.

Status: Discovery in progress. Trial set for 02/22/00. Settled.

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**Martinez, Jesus Manuel v. Sharp, et al.** Cause #95-06432  
AG Case #95-292622

Controlled Substances Tax; Declaratory Judgment Filed: 05/22/95 Period: 09/03/93 Amount: \$723,957	Asst. AAG Assigned:  Plaintiff's Counsel:	Blake Hawthorne  Carlos Eduardo Cardenas Law Offices of Joseph Abraham, Jr. El Paso
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Issue: Whether the Controlled Substances Tax Act is unconstitutional on various grounds.

Status: Dismissed for want of prosecution.

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**McLane Company, Inc. v. Rylander, et al.** Cause #99-00979  
AG Case #99-1110073

Protest Tax; Refund Filed: 01/27/99 Period: 01/01/90-01/31/96 Amount: \$26,500,000	Asst. AAG Assigned:  Plaintiff's Counsel:	Jim Cloudt  Gilbert J. Bernal, Jr. James F. Martens Stahl, Martens & Bernal Austin
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Issue: Whether taxes or tobacco products are based on the list price of products sold by a manufacturer only to its affiliated distributor or on the price paid by a Texas distributor to the affiliated distributor. Whether tax based on the distributor's price violates the commerce clause or equal protection. Whether departmental construction was followed and whether refunds must be made to consumers before distributor may receive refund.

Status: Discovery in progress. Trial set for 11/13/00. Cross motions for summary judgment will be heard before the trial. Settled.

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**Nabisco, Inc. and Planters/Lifesavers v. Sharp, et al.** Cause #03-98-00399-CV  
AG Case #97-782304

Franchise Tax; Protest & Refund Filed: 07/21/97 Period: 1989-1991 Amount: \$2,155,572 \$51,416 \$1,009,239	Asst. AAG Assigned:  Plaintiff's Counsel:	Christine Monzingo  Donald L. Stuart Drenner & Stuart Austin  Gilbert J. Bernal, Jr. Stahl, Martens & Bernal Austin
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Issue: Whether Plaintiffs are entitled to a deduction from gross receipts of receipts from sales of food shipped from outside Texas to Texas storage and distribution facilities and subsequently sold to Texas purchasers. See Tax Code §§151.314(a), 171.104, and 171.103(1).

Status: See *Nabisco v. Rylander*, 992 S.W.2d 678 (Tex. App. - Austin 1999, pet. den.).

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**Nevada Asset Management Corp. v. Rylander, et al.** Cause #99-13471  
AG Case #99-1238957

Franchise Tax; Protest Filed: 11/18/99 Period: 1996 - 1998 Amount: \$382,215.81	Asst. AAG Assigned:  Plaintiff's Counsel:	Blake Hawthorne  Glen A. Rosenbaum James D. Penny Wade Anderson Tobey D. Blanton Nancy L. Prosser Vinson & Elkins Houston & Austin
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Issue: Whether Rule 3.549, applying a 15.78% apportionment factor to receipts from GNMA securities, is invalid under the Commerce Clause. Whether the rule violates equal protection, equal taxation and due process. Whether the Comptroller lacks statutory authority to impose the 15.78% factor. Alternatively, whether calculation of the tax is correct even if the rule validly applies.

Status: Answer filed. Settled.

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**Oliveira, Leonel v. Rylander, et al.** Cause #99-14679  
AG Case #99-1249798

Controlled Substances Tax; Declaratory Judgment Filed: 12/20/99 Period: 11/22/94 Amount: \$503,433.87	Asst. AAG Assigned:  Plaintiff's Counsel:	Blake Hawthorne  Horacio Pena, Jr. Law Office of Horacio Pena, Jr. Mission
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Issue: Whether Plaintiff may remove controlled substances tax lien on grounds of double jeopardy when Plaintiff has previously been convicted for possession of the same controlled substances by a federal district court.

Status: Answer filed. Plaintiff has agreed to non-suit.

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**Ontario Investments, Inc. v. Sharp, et al.** Cause #98-10956  
AG Case #98-1052095

Sales Tax; Protest Filed: 09/29/98 Period: 08/01/89-04/30/92 Amount: \$24,142	Asst. AAG Assigned:  Plaintiff's Counsel:	Blake Hawthorne  Samuel E. Long Moseley & Standerfer Dallas
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Issue: Whether sales tax on equipment leases should have been accelerated when the leases were pledged as collateral.

Status: Agreed judgment entered 12/11/00.

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**Phillips Petroleum Co. v. Sharp, et al.** Cause #92-11027  
AG Case #92-123660

Franchise Tax; Refund Filed: 07/30/92 Period: 1988 - 1989 Amount: \$1,161,407	Asst. AAG Assigned:  Plaintiff's Counsel:	Christopher Jackson  L. G. "Skip" Smith Clark, Thomas & Winters Austin
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Issue: Write-down v. write-off of investment in subsidiaries and exclusion of loss from surplus.

Status: Case settled.

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**Phillips Petroleum Co. v. Sharp, et al.** Cause #98-10495  
AG Case #98-1047236

Franchise Tax; Refund Filed: 09/17/98 Period: 1991-1992 Amount: \$324,568	Asst. AAG Assigned:  Plaintiff's Counsel:	Christine Monzingo  L. G. "Skip" Smith Clark, Thomas & Winters Austin
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Issue: Write-down v. write-off of investment in subsidiaries and exclusion of loss from surplus.

Status: Agreed judgment.

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**Popp, Robert K. v. Sharp** Cause #95-13808  
AG Case #95-407465

Controlled Substances Tax; Filed: 11/03/95 Period: 1992 Amount: \$12,793	Asst. AAG Assigned:  Plaintiff's Counsel:	Blake Hawthorne  Paul J. Goeke Attorney at Law San Antonio
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Issue: Plaintiff urges that “the evidence was insufficient as a matter of law to support the judgment.” Plaintiff also asserts that the assessment of the drug tax violates the double jeopardy provisions of the Fifth Amendment.

Status: Agreed judgment entered 12/19/00.

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**Reflectone Training Systems, Inc. v. Bullock, et al.** Cause #492,137  
AG Case #90-379102

Sales Tax; Protest Filed: 10/11/90 Period: 01/01/87 - 12/31/88 Amount: \$85,419	Asst. AAG Assigned:  Plaintiff's Counsel:	Nicole Galwardi  Forrest Smith Arter & Hadden Dallas
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Issue: Taxability of lease payments reimbursed by U.S. Navy. Resale certificates and government exemption.

Status: Dismissed.

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**Rubrecht, Henry Fred v. Bullock, et al.** Cause #486,655  
AG Case #90-327542

Controlled Substances Tax; Protest Filed: 06/29/90 Period: N/A Amount: \$17,169	Asst. AAG Assigned:  Plaintiff's Counsel:	Blake Hawthorne  Edwin M. Sigel Dallas
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Issue: Is the Controlled Substances Tax Act unconstitutional.

Status: Plaintiff is deceased. Heirs filed suggestion of death. Judgment entered.

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**Ryder Truck Rental, Inc. v. Sharp, et al.** Cause #96-14241  
AG Case #96-637642

Sales Tax; Protest Filed: 11/22/96 Period: 07/01/89-09/30/92 Amount: \$270,217	Asst. AAG Assigned:  Plaintiff's Counsel:	Jim Cloudt  Paul O. Price Richard E. Flint The Kleberg Law Firm Corpus Christi
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Issue: Whether electricity purchases are exempt from sales tax because the electricity is used for processing.

Status: Judgment.

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**Salih, John Douglas v. Sharp, et al.** Cause #96-04153  
AG Case #96-500833

Controlled Substances Tax; Declaratory Judgment & Injunction Filed: 04/11/96 Period: 09/95 Amount: \$304,110	Asst. AAG Assigned:  Plaintiff's Counsel:	Blake Hawthorne  Charles O. Grigson Attorney at Law Austin
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Issue: Whether the Controlled Substances Tax Act is unconstitutional on various grounds.

Status: Motion to Retain and Objection to Motion to Retain filed. Waiting for court's order. Dismissed for want of prosecution.

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**San Antonio SMSA\ Limited Partnership v. Sharp, et al.** Cause #97-11831  
AG Case #97-834614

Sales Tax; Refund Filed: 10/15/97 Period: 01/01/89-08/31/92 Amount: \$217,898	Asst. AAG Assigned:  Plaintiff's Counsel:	Steve Rodriguez  Mark W. Eidman Ray Langenberg Scott, Douglass & McConnico Austin
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Issue: Whether engineering services were part of the sales price of tangible personal property sold to Plaintiff.

Status: See *Dallas SMSA*.

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***Schlumberger Technology Corp., for and on behalf of Geoquest Systems, Inc. v. Rylander, et al.*** Cause #99-10444  
AG Case #99-1212895

Franchise Tax; Refund & Declaratory Judgment	Asst. AAG Assigned:	Christine Monzingo
Filed: 09/08/99	Plaintiff's Counsel:	Gerard A. Desrochers
Period: 01/01/93-12/31/93		Baker Botts
Amount: \$345,393		Houston

Issue: Whether the additional tax was owed by a corporation that merged out of existence. Whether imposition of the additional tax on the non-surviving corporation of a merger violated due process, equal protection or the commerce clause. Alternatively, whether the income from the sale of intangibles was properly attributed to Texas. Plaintiff also seeks attorneys' fees.

Status: Motion for summary judgment set for hearing on 11/16/00. Plaintiff non-suited.

---

***Smith, Kelli Deann v. Sharp*** Cause #95-15061  
AG Case #95-424749

Controlled Substances Tax; Declaratory Judgment	Asst. AAG Assigned:	Blake Hawthorne
Filed: 12/04/95	Plaintiff's Counsel:	Craig A. Stokes
Period: 01/27/93		Oppenheimer, Blend, Harrison & Tate
Amount: \$17,222		San Antonio

Issue: Plaintiff asserts that Chapter 159 of the Texas Tax Code is unconstitutional because it does not require proof of a tax liability beyond a reasonable doubt.

Status: Dismissed for want of prosecution 12/19/00.

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**Southwest Oil Co. of San Antonio, Inc. v. Bullock, et al.** Cause #470,110  
AG Case #89-110867

Diesel Fuel Tax; Protest Filed: 08/10/89 Period: 11/01/83-12/31/85 Amount: \$61,750	Asst. AAG Assigned:  Plaintiff's Counsel:	Blake Hawthorne  Donald H. Grissom Law Offices of Donald H. Grissom Austin
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Issue: Acceptable methods to rebut the presumption that once a taxable sale of diesel fuel is made, all future sales are to be taxable as well.

Status: Inactive.

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**Southwest Subrogation Services, Inc. v. Sharp, et al.** Cause #98-09148  
AG Case #98-1017965

Sales Tax; Declaratory Judgment Filed: 08/17/98 Period: 10/01/87-09/30/92 Amount: \$483,778	Asst. AAG Assigned:  Plaintiff's Counsel:	Blake Hawthorne  Gregory E. Perry Attorney at Law Austin
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Issue: Whether Plaintiff's services are taxable as debt collection or related services. Whether fraud penalty should have been assessed. Whether Plaintiff is required to prepay the tax before receiving judicial review of the tax assessment. Whether certain tax statutes are constitutional. Whether interest should be waived.

Status: Plaintiff filed for bankruptcy on 10/01/98. Federal stay is in effect. Sales tax now being paid under confirmed Chapter 11 plan.

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**Southwestern Explosives, Inc. v. Bullock, et al.** Cause #426,164  
AG Case #87-4575

Franchise Tax; Protest Filed: 09/04/87 Period: 01/01/81 - 12/31/84 Amount: \$40,324	Asst. AAG Assigned:  Plaintiff's Counsel:	Blake Hawthorne  David E. Cowling Jones, Day, Reavis & Pogue Dallas
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Issue: Must a dividend be declared to be deductible from surplus. Is Rule 3.405 unconstitutional.

Status: Motion to dismiss for want of prosecution pending. Non-suit to be filed.

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***Southwestern Bell Telephone Co. v. Sharp, et al.*** Cause #98-06783

AG Case #98-980598

Franchise Tax; Refund

Filed: 06/24/98

Period: 1991-1994

Amount: \$1,300,000

Asst. AAG Assigned:

Plaintiff's Counsel:

Christine Monzingo

Mark W. Eidman  
Ray Langenberg  
Scott, Douglass &  
McConnico  
Austin

Issue: Whether officer and director compensation should be added back to earned surplus before calculating franchise tax. Whether the franchise tax statute requires that depreciation be calculated based on the IRS Code of 1986 in effect for calendar year 1990. OPEB deductibility.

Status: Settled. Plaintiff's Notice of Non-Suit filed 10/23/00.

---

***Southwestern Gas Pipeline, Inc., Mitchell Energy Corp. & and The Woodlands Commercial Properties Co., L.P. v. Rylander, et al.*** Cause #99-14209

AG Case #99-1242702

Franchise Tax; Refund

Filed: 12/06/99

Period: 1993-1998

Amount: \$13,150,923.27

Asst. AAG Assigned:

Plaintiff's Counsel:

Christine Monzingo

Jasper G. Taylor, III  
Fulbright & Jaworski  
Houston

Issue: Whether imposition of the additional tax after mergers of the Plaintiff corporations and other corporations violates constitutional guarantees of equal and uniform taxation or equal protection and due process under the Texas and United States Constitutions.

Status: Non-suited.

---

**Southwestern Life Insurance Co. v. Georgia Flint, et al.** Cause #92-07547  
AG Case #92-89265

Gross Premium Tax; Protest Filed: 05-28-92 Period: 1990 Amount: \$183,719	Asst. AAG Assigned:  Plaintiff's Counsel:	Blake Hawthorne  L. G. "Skip" Smith David H. Gilliland Clark, Thomas & Winters Austin
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Issue: Whether an insurance taxpayer may take a credit for examination and valuation fees paid to Texas in one year against a later year's insurance taxes.

Status: Third Court of Appeals affirmed summary judgment granted for defendants. Petition for review filed in Supreme Court 08/25/00. Supreme Court denied petition for review 10/25/00.

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**SRI Receivables, Inc. v. Rylander, et al.** Cause #99-09553  
AG Case #99-1199886

Franchise Tax; Refund Filed: 08/17/99 Period: 02/01/93-11/26/94 Amount: \$241,583.22	Asst. AAG Assigned:  Plaintiff's Counsel:	Christine Monzingo  Mark W. Eidman Ray Langenberg Scott, Douglass & McConnico Austin
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Issue: Whether assessment of the additional tax under Tax Code §171.0011 violates the Commerce Clause, equal and uniform taxation, or equal protection under the federal and state constitutions when Plaintiff withdrew from the State on 11/26/94 and was taxed on its earned income from 02/01/93 through 11/26/94.

Status: Plaintiff non-suited.

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**Steamatic of Austin, Inc., et al. v. Sharp, et al.** Cause #97-02651  
AG Case #97-690537

Sales Tax; Protest Filed: 03/05/97 Period: 04/01/91-04/30/94 Amount: \$166,148	Asst. AAG Assigned:  Plaintiff's Counsel:	Steve Rodriguez  Mark W. Eidman Ray Langenberg Scott, Douglass & McConnico Austin
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Issue: Plaintiff contends that an amendment to §151.350 of the Tax Code did not narrow the existing exemption, but if it did, it was not effective until the Comptroller amended the corresponding Rule, 3.357. Issue is tax on labor to restore property damaged in a disaster area.

Status: Judgment for plaintiff.

---

**Steen, Steven G. v. State of Texas, Secretary of State** Cause #48-179724-99  
AG Case #99-1206525

Controlled Substances Tax; Declaratory Judgment Filed: 08/12/99 Period: 03/26/92 Amount: \$15,430.34	Asst. AAG Assigned:  Plaintiff's Counsel:	Blake Hawthorne  David L. Pritchard Fort Worth
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Issue: Whether the Comptroller's drug tax lien should be declared void or satisfied. Plaintiff also seeks attorney's fees.

Status: Plaintiff filed Motion to Non-Suit. Motion to Non-Suit granted.

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**Sternberg, Bruce Lee v. Sharp, et al.** Cause #92-14924  
AG Case #92-166506

Controlled Substances Tax; Protest & Declaratory Judgment Filed: 10-23-92 Period: 05/24/90 Amount: \$5,253	Asst. AAG Assigned:  Plaintiff's Counsel:	Blake Hawthorne  Charles O. Grigson Austin
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Issue: Constitutionality of Controlled Substances Tax Act.

Status: Dismissed for want of prosecution 12/19/00.

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***Thurman, Kay G. and Merlene G. Stroud v. Sharp*** Cause #97-06891

AG Case #97-755995

Inheritance Tax; Injunction Filed: 06/11/97	Asst. AAG Assigned:	Gene Storie
Period: DOD 11/14/82 Amount: \$279,420.77 plus interest	Plaintiff's Counsel:	Robert W. Swanson Von Kreisler & Swanson Austin

Issue: Whether beneficiaries of an estate owe the balance of inheritance tax not paid by the estate.  
Statute of Limitations question.

Status: On dismissal docket. Dismissed 07/26/00.

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***Union Carbide Chemicals & Plastics Co., Inc. v. Sharp, et al.*** Cause #93-05809

AG Case #93-274772

Sales Tax; Protest Filed: 05/18/93	Asst. AAG Assigned:	Blake Hawthorne
Period: 01/01/85 - 12/31/88 Amount: \$419,382	Plaintiff's Counsel:	L. G. "Skip" Smith Clark, Thomas & Winters Austin

Issue: Whether a contract is exempt as a prior contract.

Status: Non-suited.

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***Union Pacific Resources Co. v. Sharp, et al.*** Cause #95-13139

AG Case #95-399928

Natural Gas Production Tax; Refund Filed: 10/16/95	Asst. AAG Assigned:	Steve Rodriguez
Period: 11/82-12/85 Amount: \$110,962	Plaintiff's Counsel:	Mark W. Eidman Ray Langenberg Scott, Douglas & McConnico

Issue: Plaintiff requests that monies in escrow with the Comptroller's Office be applied to an audit liability.

Status: Discovery in progress. Settlement negotiations ongoing. Agreed judgment signed.

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**United Beverage Co. v. Rylander, et al.** Cause #99-02370

AG Case #99-1130162

Franchise Tax; Protest Filed: 03/01/99 Period: 01/01/98-12/31/98 Amount: \$1,077,434	Asst. AAG Assigned:  Plaintiff's Counsel:	Christine Monzingo  Glen A. Rosenbaum James D. Penny Tobey D. Blanton Wade Anderson Vinson & Elkins Houston
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Issue: Whether the additional tax under 171.0011 is an unconstitutional violation of the commerce clause, due process, due course of law, equal protection, equal taxation and is an unconstitutional retroactive income tax.

Status: Motion for summary judgment hearing set for 11/16/00. Plaintiff non-suited.

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**Vallado, Jan Clopton, Independent Executor of Estate of Marion Wallace  
Clopton, Jr. v. Sharp, et al.** Cause #97-04810

AG Case #97-723930

Inheritance Tax; Protest Filed: 04/22/97 Period: DOD 08/30/94 Amount: \$1,937	Asst. AAG Assigned:  Plaintiff's Counsel:	Gene Storie  Kenneth B. Kramer Attorney at Law Wichita Falls
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Issue: Whether penalty should be waived.

Status: Settled.

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**Wal-Mart Stores, Inc. v. Sharp, et al.** Cause #94-12948  
AG Case #94-165718

Sales Tax; Refund Filed: 10/14/94	Asst. AAG Assigned:	Jim Cloudt
Period: 08/87-07/90; 01/88- 12/91; 01/88-12/92	Plaintiff's Counsel:	Tom Tourtellotte Tourtellotte & Kennon Austin
Amount: \$18,268		

Issue: Plaintiff attacks the Comptroller's change in policy with regard to prior contracts. The issue is whether two-party contracts are eligible for the exemption, as opposed to three-party contracts, only.

Status: Dismissal with prejudice.

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**West Texas Gas, Inc. v. Sharp, et al.** Cause #93-01245  
AG Case #93-222613

Franchise Tax; Protest Filed: 02/02/93	Asst. AAG Assigned:	Christopher Jackson
Period: 1988 - 1990	Plaintiff's Counsel:	Jasper G. Taylor, III Robert F. Corrigan, Jr. Fulbright & Jaworski Houston
Amount: \$111,761		

Issue: Whether the difference between an advance to the sole shareholder and the amount of a promissory note could be deducted from surplus as a reduction in stockholder's equity. In the alternative, was it a write-off of a permanent decline in value of an asset or a write-down.

Status: Judgment.

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**Whitesboro ISD, et al. v. Texas Comptroller of Public Accounts** Cause #97-09046  
AG Case #97-793043

Property Tax; Substantial Evidence Review Filed: 08/08/97	Asst. AAG Assigned:	Christine Monzingo
Period: 1996	Plaintiff's Counsel:	E. Jeannie Navarro Attorney at Law Austin
Amount: \$Not stated		

Issue: Whether the Comptroller's property value study is incorrect in that it exceeds the market value of the subject property and causes the estimate of market value for various categories to exceed the actual market value of the School Districts' 1996 tax base, depriving it of state aid to which it is legally entitled. Plaintiffs also assert that the burden of proof is on the State to prove that Plaintiffs' valuations are incorrect.

Status: Cross-Motions for Summary Judgment heard on 06/25/98. Final Judgment for Comptroller signed 12/09/99. Not appealed.

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***Wiking Demolition Corp. v. the State of Texas, the Cities of San Antonio and Houston, Texas, the Transit Authority of San Antonio, Texas, John Cornyn, and Carole Keeton Rylander*** Cause #GN000266  
AG Case #001292465

Sales Tax; Declaratory  
Judgment  
Filed: 02/02/00  
Period: 1991  
Amount: \$64,395.69

Asst. AAG Assigned:  
  
Plaintiff's Counsel:

Scott Simmons  
  
Timothy M. Trickey  
The Trickey Law Firm  
Austin

Issue: Whether summary collection procedures may be used after judgment for sales tax liability has been taken in a collection suit. Whether the exercise of summary collection procedures after a judgment has been taken violates constitutional separation of powers.

Status: Case dismissed.

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# Index

- Additional Tax
  - imposed after merger, 25, 109, 118, 120, 128, 130
  - nexus, 134
  - Rule 3.557, 26
- Administrative Hearing, 101
- Advertising Receipts
  - allocation for franchise tax, 6
- Aircraft
  - maintenance, repair & remodeling, 73
  - repair & replacement parts, 74
  - sale for resale, 51
- Allocation
  - advertising receipts, 6
- Amusement Tax
  - coin operated machines and non-coin operated games, 44
  - Fitness & aerobic training services, 68
- Apportionment
  - residual value of leased vehicles, 112
- Asbestos
  - removal, 118
- Automotive Items, resale, 119
- Business Loss Carryforward
  - merger, 17, 19
  - officer and director compensation, 1
- Cable Services
  - municipal franchise fees, 62
- Catalogs
  - nexus, 69
  - nexus, taxable use, 48
  - use tax--printed out of state, 68
- Coin Operated Machines and Non-Coin Operated Games
  - amusement tax v. sales tax, 44
- Collection of Tax
  - summary collection procedures, 136
- Commercial and Industrial Real Property
  - market value estimate, 121
- Construction
  - 1984 amendment to Tex. Tax Code § 151.311, 42
  - government facility, 57
- Construction Contract
  - lump sum or separated contract, 35, 40, 70
- Conveyor Belts
  - manufacturing exemption, 33
- Country Club fees
  - sales tax, 54
- County Court Fees
  - punishment, 98
- Customs Broker License
  - export of goods, 44, 57, 58
- Data Processing, 58
  - intercompany transactions, 48
  - sale for resale, 67
- Debt
  - deduction from surplus, 25
  - depreciation methods, 21
  - intercompany transactions, 8, 28
  - liability to Pension Benefit Guaranty Corporation under ERISA, 122
  - operating lease obligations, 5
  - post-retirement benefits, 4, 9, 18, 21, 24, 25
  - wage reserve accounts, 19
- Debt Collection Services, 58, 129
- Depreciation
  - 1986 IRS Code applicable to 1990, 130
  - service lives, 20
- Detrimental Reliance, 36, 113
- Diesel Fuel
  - penalty, 122
  - rebuttable presumption, 129
- Direct Sales
  - Definition and application, 71
  - nexus, 32
  - taxable use, sampling, 50
- Dividends
  - declared, 130
- Doing Business
  - taxability, 8, 9, 114
- Double Jeopardy, 126, 127
  - burden of proof, 128
  - deferred adjudication, 95
  - federal conviction, 124
- Electricity
  - insurer exemption, 52
  - processing, 38, 42, 60, 69, 72, 73, 127
  - use in hotels, 78
- Engineering Services
  - part of sale of tangible personal property, 115, 128
- ERISA
  - liability to Pension Benefit Guaranty Corporation under ERISA, 122
  - post-retirement benefits, 4, 5, 21
- Export of Goods
  - customs broker license, 57, 58
  - validity of export certificates, 114
- Franchise Fees, Municipal

cable services, 62  
 Fraud  
     penalty, 41  
 Games  
     amusement tax v. sales tax, 44  
 Gas and Electricity Purchases  
     manufacturing exemption, 117  
     residential use, 77  
 Government Facility  
     construction, 57  
 Gross Premiums  
     internal rollover, 79, 81, 89, 90  
     paid-up additions, 87  
     renewal premiums, 87  
     workers compensation, 91  
 Gross Receipts  
     apportionment of GNMA securities'  
         interest, 124  
     apportionment of satellite service receipts,  
         28  
     constitutionality, 111  
     deduction for food shipped in from out of  
         state, 6, 7, 12, 13, 15, 16, 22, 23, 27,  
         123  
     health care supplies, 26  
     intercompany transactions, 2, 29  
     interstate telephone charges, 10  
     nexus, 29  
     reimbursement for services, 18  
     Sale of stock in non-unitary business, 15  
     section 338 sale, 10  
     throwback rule, 1, 3  
 Gross Taxable Sales  
     collection of tax, 78  
     Inadequate Records, 31  
 Health Care Supplies  
     exclusion from franchise tax receipts, 26  
 Independent Contractors  
     maid service, 34  
 Installment Sales  
     bad debt credit, 103  
 Insurance Services, 58  
     market value estimate, 93  
     out-of-state lab tests, 53  
 Internal Rollover  
     gross premiums, 79, 86  
     insurance gross premiums tax, 80, 81, 86  
 Intraplan Transportation  
     manufacturing exemption, 74  
 Inventory Samples  
     sale for resale, 53  
 Janitorial Services, 116  
     new construction, 61  
 Joint Venture  
     Sales tax credits, 19, 24  
 Lease  
     pledge of collateral/acceleration of sales  
         tax, 125  
     reimbursement by U.S. Navy, 126  
 Lien, 132  
     mistaken identity, 102  
     personal property, 100  
 Limitations  
     contingent assets, 9, 18  
 Lump Sum Motor Vehicle Repairs  
     Software Services, 32  
 Maid Services  
     real property services, 34  
 Maintenance  
     aircraft owned by certificated carrier  
         (pipeline), 73  
     utility poles, 38  
     workers compensation, 110  
 Maintenance Charges  
     manufacturing facility, 35  
 Manufacturing Exemption, 64  
     "pan glazing", 52  
     conveyor belts, 33, 41  
     gas and electricity, 117  
     intraplant transportation, 74  
     packaging, 51, 53, 117  
     pipe, 74  
 Manufacturing Facility  
     management and operation, 35  
 Market Value of Oil  
     processing and marketing costs, 103  
 Mixed Drinks  
     complimentary, sales tax, 55  
 Motor Vehicle Exemptions  
     orthopedically handicapped, 115  
 Motor Vehicle Property  
     nexus, 66  
 Motor Vehicle Seller  
     bad debt collection, 100  
     liability for tax, 105  
 New Construction  
     janitorial services, 61  
     lump sum or separated contract, 40  
     original defects, 45, 49  
     real property repair and remodeling, 62  
     tax credits, 55  
 Nexus  
     accounts receivable, 66  
     catalogs printed out of state, 48, 65, 69  
     Certificate of authority, 3  
     delivering goods, 54, 120  
     delivery and installation of goods, 56  
     licensed software, 36

McCarran-Ferguson Act, 82  
 promotional materials, 34, 39, 43  
 shipping from out of state, 59  
 Occasional Sales, 55  
     shrimp trawler, 119  
 Officer and Director Compensation  
     add-back to surplus, 11, 20, 109, 130  
 Oil Well Services, 63  
 Open Courts  
     prepayment of tax, 49, 65  
 Operating Lease Obligations  
     debt, 4, 5  
 Packaging  
     manufacturing exemption, 47, 51, 53, 117  
 Parking Lot  
     repairs, 55  
 Penalty  
     fraud, 41, 129  
     waiver, 101, 114, 134  
 Pension Benefit Guaranty Corporation , 122  
 Pipe  
     manufacturing exemption, 74  
 Post-Retirement Benefits  
     debt, 4, 9, 21, 24, 114  
     ERISA, 4, 5  
     taxability, 8  
 Pre-Acquisition Earnings  
     deduction from surplus, 11  
 Predominant Use  
     electricity, 49  
 Premiums  
     home warranty insurance, 93  
 Prepayment of Tax, 129  
     Open Courts, 49, 65  
 Presumption of Taxable Receipts  
     individual liability, 31  
 Printing  
     out-of-state printer, 76  
 Prior Contract Exemption, 112, 133, 135  
 Prizes  
     amusement tax v. sales tax, 44  
     cost of taxable, 62, 77  
 Producer's Gross Receipts  
     Order 94 payments, 99  
     prepayment of tax, 133  
 Promotional Materials  
     nexus, 34, 39, 43  
     ownership of, 34, 40  
 Proof  
     burden in administrative hearing, 49  
     burden in property tax case, 135  
 Public Law 86-272  
     taxability, 8, 9, 114  
 Public Telephone Service  
     transfer of care, custody, and control of  
         equipment, 70  
 Push-Down Accounting, 12, 21  
     depreciation, 21  
 Real Property Repair and Remodeling, 60  
     collection of tax, 121  
     finish-out work, 75  
     maintenance, new construction, 46  
     new construction, 49, 62  
     new construction, pollution control, 75  
     property management services, 113  
     vs. maintenance, 38  
 Real Property Service  
     industrial solid waste, 52  
     landscaping, 59  
     landscaping, waste removal, 37, 46, 62  
     maid service, 34  
     property damaged in disaster area, 132  
     taxable price, 46  
 Recycling, Sludge  
     exempt corporation, 14  
 Remodeling  
     aircraft owned by certificated carrier  
         (pipeline), 73  
 Rental of Equipment  
     inclusion of related services in taxable  
         price, 41  
 Repair  
     parking lot, 55  
 Residential Property  
     burden of proof, 97  
     sampling method, 97, 99, 101, 102, 105, 119  
 Retaliatory Basis, 86  
     similar insurance company, 83, 84, 85, 86,  
         88, 91, 131  
 Retroactivity of Tax  
     earned surplus, 14, 22  
 Rolling Stock  
     cranes and repair parts, 36  
 Rule Making  
     authority of Comptroller, 58  
 Sale for Resale  
     airplane, 51  
     blanket resale certificates, 42  
     collection of tax, 72  
     debt collection services, 116  
     detrimental reliance, 38  
     engines, 50  
     telecommunications equipment, 76  
     U.S. Government, 126  
 Sales Price  
     insurance contracts on sold goods, 117  
     warranties and rebates, 70  
 Sample Audits

- compliance with procedures, 44, 45, 121
  - fraud, 104
- Sampling Technique
  - validity, 45, 47, 64, 68
- Statute of Limitations, 24, 133
  - motor fuels tax; one-year statute, 113
  - tax paid to vendors, 46, 116
  - waiver, 116
- Stockholder Equity, 135
- Successor Liability, 61
- Surplus Lines Insurer
  - unauthorized insurance tax, 80, 82
- Tax Foreclosure
  - State University, 106
- Taxable Value
  - market value estimate, 135
  - presumption, 98
- Telecommunication Services
  - networking services, 71
  - private line services, 33
  - satellite broadcasting, 37
- Telecommunications Equipment
  - sale for resale, 76
  - transfer of care, custody, and control of equipment, 60
- Texas Investments, 81
  - bank balances, 88
  - Bond & Cash Investments, 90
  - cash fund investments, 106
  - debt, 90
  - Limited Partnership Holdings, 92
  - Partnership, 90
- Third Party Administration
  - ERISA, 87
- Throwback Rule, 12
- Tobacco
  - tax base, 123
  - taxable price, 104
- U.S. Government
  - sale for resale, 126
- Vacant Property and Rural Acreage
  - sampling method, 107
- Waste Removal
  - industrial solid waste vs. garbage, 52
  - sale for resale, 76
- Write-Off
  - investment in subsidiaries, 26
  - of assets, deductible from surplus, 125, 135