

PROFILE

Taxes and fees collected by the State Board of Equalization provide more than 37 percent of the annual revenue for state government and essential funding for local government. In fiscal year 2001-02, Board-administered taxes and fees produced \$40.48 billion for education, public safety, health care, transportation, social services, housing, and natural resource management.

The Board administers the state's sales and use, fuel, alcohol, tobacco, and other taxes and collects fees that fund specific state programs. More than one million businesses are registered with the agency.

In addition to administering key revenue programs, the Board plays a significant role in California property tax assessment

and administration. It also acts as the appellate body for franchise and personal income tax appeals.

TAX AND FEE PROGRAMS, 2001-02

Sales and Use Tax Programs

Sales and Use Tax
Bradley-Burns Uniform Local Sales
and Use Tax
District Transactions (Sales) and Use Tax

Special Tax and Fee Programs

Excise Taxes
Alcoholic Beverage Tax
California Tire Fee
Cigarette and Tobacco Products Tax
Emergency Telephone Users Surcharge
Energy Resources Surcharge
Insurance Tax
Integrated Waste Management Fee
Natural Gas Surcharge

Fuel Taxes

Childhood Lead Poisoning Prevention Fee
Diesel Fuel Tax
Interstate User Tax

Motor Vehicle Fuel Tax
Oil Spill Response, Prevention, and
Administration Fees
Underground Storage Tank Maintenance Fee
Use Fuel Tax

Environmental Fees

Ballast Water Management Fee
Hazardous Substances Tax
Occupational Lead Poisoning Prevention Fee

Property Tax Programs

County Assessment Standards Program
Private Railroad Car Tax
State-Assessed Property Program
Timber Yield Tax

Tax Appellate Programs

Bank and Corporation Tax Law
Personal Income Tax
Homeowner and Renter Property Tax
Assistance Law
Publicly Owned Property Assessment
Review Program
Taxpayers' Bill of Rights Law

A foldout chart inside the back cover of this report lists revenues and other comparative information for revenue-producing tax and fee programs administered by the Board.



HISTORY

The Board was created by a constitutional amendment in 1879 and charged with responsibility for ensuring statewide equality and uniformity in county property tax assessment practices. As the state's need for revenue to support programs and services grew, the agency assumed a broader role.

In 1911, a voter-approved constitutional amendment directed the Board to levy four new taxes, including insurance and corporation franchise taxes. In 1933, the Great Depression caused a tremendous drop in property tax revenues, which in turn led to the most significant change in the Board's duties—the creation of the sales tax. Shortly afterward, in 1935, the complementary use tax was established to protect California businesses from tax-free, out-of-state competition. Since that time the Board has been given the responsibility for administering a number of additional business and property taxes and fees. More details of Board history are found in the [Appendix](#).

GOVERNANCE

The five Members of the Board, who serve concurrent four-year terms, constitute the nation's only elected tax commission. One Member is elected from each of California's four Equalization Districts. The State Controller, elected at large, serves as the Board's fifth Member. The terms of the 2001-02 Board Members began in January 1999. For Member biographies, see [page 7](#).

The Board's executive director, appointed by the Board Members, directs 4,000 agency employees who carry out the Board's mission, goals, and directives.

BOARD RESPONSIBILITIES

The primary responsibilities of the Board are to

- Adopt rules and regulations clarifying the laws it administers.



- Act as an appellate body for the review of property, business, and income tax determinations.
- Administer agency programs.
- Determine the assessed value of railroads and specified privately-held public utilities, including gas, electric, and telephone companies.
- Oversee the property tax assessment practices of county assessors.

In carrying out these responsibilities, the Board

- Serves as the appellate body for final actions by the Franchise Tax Board involving the state's Bank and Corporation Franchise Tax, the Personal Income Tax, and the Homeowner and Renter Property Tax Assistance Laws. In this capacity, the Board issues opinions that interpret and define California's income tax laws.
- Prescribes the state's property tax regulations and issues advice to guide property taxpayers, county assessors, and county assessment appeals boards.
- Considers petitions by taxpayers regarding sales and use taxation, business tax matters, and the Insurance Tax Law.
- Considers appeals of assessments made by county assessors on lands, water rights, and certain improvements on properties owned by local governments but located outside their boundaries.
- Develops and adopts capitalization rates to be used in valuing state-assessed utilities.
- Classifies unitary and nonunitary properties of public utilities and determines the property values of each assessee for local property taxation.

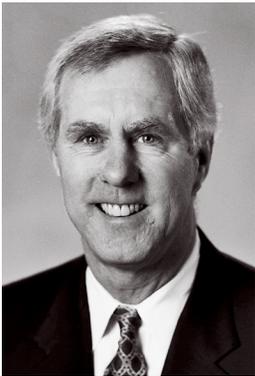
- Oversees revenue collection and program operations for fuel tax, excise tax, and environmental fee programs administered in cooperation with other state agencies.
- Fixes the 911 emergency telephone users surcharge rate determined by the state Department of General Services.
- Studies the operations of individual county assessor offices to determine their effectiveness.
- Prescribes property tax forms and publishes handbooks for county assessors' use.
- Publishes a *Business Taxes Law Guide* and advisory tax publications to help businesses comply with tax law requirements.
- Publishes a *Property Taxes Law Guide* and advisory tax publications for use by county officials and taxpayers.

MEETINGS

Public Board meetings offer taxpayers the opportunity to directly participate in the formulation of rules and regulations adopted by the Board and to observe the Members as they carry out their official duties. Meetings are held throughout the year, usually two to three weeks apart. The Board meets monthly in Sacramento and as necessary in other California cities. In 2001-02, the Board met in Sacramento, Culver City, and San Diego.

The Board also holds special Taxpayers' Bill of Rights hearings each year that allow taxpayers to make direct comments and suggestions regarding Board-administered laws and programs. For information regarding the 2001 hearings and related agency actions, please see [page 51](#).

BOARD MEMBERS



DISTRICT 1

Johan Klehs

John Klehs was elected to the Board of Equalization in November 1994, representing the 26 counties of Northern California's First Equalization District. He was

reelected in 1998 and served as chairman of the Board in 1995, 1996, and 1999. Klehs previously served for 12 years in the California Assembly. As chairman of the Assembly's Revenue and Taxation Committee, he was a vigorous advocate for tax fairness. As chairman of the Board, Klehs led the successful effort to create a Customer and Taxpayer Services Division and directed the agency to crack down on California's huge "underground economy." Klehs was born to German immigrant parents in 1952 and grew up in San Leandro. He graduated from California State University, Hayward, with a degree in political science and later earned a Master of Public Administration degree. Klehs also attended Harvard University's John F. Kennedy School of Government. In 1978, Klehs was elected to his first office, becoming the youngest person ever elected to serve on the San Leandro City Council.



DISTRICT 2

Dean Andal

Dean Andal won election to the Board of Equalization in 1994 and served as chairman in 1998 and 2000. During his tenure, Dean was a leader in streamlining government services

and improving agency efficiency. He directed the closure of 17 Board offices in his district, saving taxpayers more than \$40 million. Dean also established Taxpayer Service Centers to provide one-stop public access to the Board of Equalization, Franchise Tax Board, and Employment Development Department Tax Division. From 1998 to 2000, he was a member of the United States Advisory Commission on Electronic Commerce, which made tax policy recommendations to Congress regarding Internet-related economic activity. A resident of District Two for more than 30 years, Dean lives in Stockton with his wife Kari and son Patrick. He earned a bachelor's degree from the University of California at San Diego in 1983. Prior to Dean's election to the Board, he represented San Joaquin County's 17th Assembly District and served as chief budget negotiator for the Republican Caucus.

BOARD MEMBERS



DISTRICT 3
Claude Parrish

Claude Parrish served as chairman of the Board in 2001 and as a member of the Franchise Tax Board. He represents Riverside, Orange, San Diego, and

Imperial counties, and a portion of Los Angeles County. Claude has held positions in management, finance, and the securities industry. He holds a degree in accounting and graduated from college summa cum laude. While at the American Broadcasting Company, Claude supervised the management of ABC's Entertainment Center and West Coast Corporate Headquarters in Century City. He was subsequently appointed vice president of management for a large real estate trust. Claude was born and raised in Los Angeles. He was recognized by the *Wall Street Journal* as one of California's leading young business executives when he owned a small business. Claude has served as a Los Angeles County Insurance Commissioner as well as treasurer of the Los Angeles County Republican Party and corporate controller of a large securities firm.



DISTRICT 4
John Chiang

John Chiang, Chairman of the Board in 2002, served as a Tax Law Specialist with the Internal Revenue Service and was an attorney with the Office of the State Controller. He has

promoted public-private partnerships through community outreach and taxpayer education. John organized the first Board of Equalization, Franchise Tax Board, and IRS seminar for nonprofit organizations and joined with the Los Angeles County Assessor's Office to hold a tax seminar for religious organizations. He also organized business and labor forums on fighting tax evasion in the "underground economy." California law now includes his legislation that allows refund claims to be filed beyond the normal period when taxpayers are medically unable to manage their financial affairs. John is a graduate of Georgetown University Law Center and the University of South Florida. His recent awards include the Asian/Pacific Bar Association of Sacramento Community Service Award and the Minorities in Business Multi-Cultural Prism Award.

BOARD MEMBERS



STATE CONTROLLER

Kathleen Connell

Kathleen Connell, California's 28th Controller, was first elected in 1994 after a successful career in business, education, and finance. She was reelected in November 1998. Connell

served as a Member of the Board of Equalization and as the chairwoman of the Franchise Tax Board. She was a member of more than 50 policy-making boards and commissions, including the Public Employees' Retirement System, the State Teachers' Retirement System, and the State Lands Commission. Connell's leadership and commitment to more efficient, more effective state government protected taxpayers from waste and fraud. Connell's aggressive audits of state programs uncovered more than \$2 billion in potential savings. Her innovative reforms replaced business as usual with a new dedication to making government work better at less cost. Connell's vision of a paperless government prompted a large increase in electronic income tax filing. She also introduced a postcard-size income tax form that reduces filing time to ten minutes.