

STATE BOARD OF EQUALIZATION
2008-09 ANNUAL REPORT



The Honorable Arnold Schwarzenegger
Governor of California

Dear Governor Schwarzenegger:

On behalf of the Members of the State Board of Equalization (BOE), I am pleased to submit to you our annual report for the 2008-09 fiscal year.

Programs administered by the BOE produced \$48.4 billion in revenue in 2008-09. The state's portion, \$36.7 billion, contributed 34.5 percent of all state revenue for the fiscal year.

The BOE supports California's state and local governmental finance system by providing essential revenue for the state's cities, counties, and special tax districts. Like the nation, California entered into a severe recession in December 2007; nevertheless, BOE-administered programs yielded \$8.5 billion for local governments from local and district sales and use taxes in 2008-09.

Thanks to the excellent work of our 3,950 employees, a focus on process improvement, and our strong technology infrastructure, we have continued to provide efficient and effective tax administration, in spite of the challenges of these tough economic times. Our total costs for all operations in 2008-09 were \$408.2 million—only 86 cents for every \$100 of revenue collected. Of the total cost of operations, only \$251.2 million came from the General Fund.

We remain dedicated to serving the people of the great State of California.



Ramon J. Hirsig
Executive Director

MISSION

The mission of the State Board of Equalization is to serve the public through fair, effective, and efficient tax administration.

GOALS

The State Board of Equalization will:

- Maximize voluntary compliance in BOE's programs
- Improve the efficiency of BOE's tax and fee programs
- Improve BOE's organizational efficiency
- Create an expanded and responsive infrastructure
- Foster a skilled, motivated, and diverse workplace

Meeting Taxpayer Needs

The BOE is committed to helping all California businesses and individuals comply with the state's complex and changing tax laws. Our agency offers a full range of services tailored to the diverse needs of the state's businesses—from 24-hour electronic services to personal assistance with tax compliance questions. The BOE:

- Offers personal assistance with tax compliance questions at 800-400-7115
- Provides forms, publications, regulations, tax news, meeting agendas, and special features on our website
- Sponsors classes and all-day tax events with other federal, state, and local agencies
- Presents online videos of our nonprofit educational seminars, efile instructions, cigarette and tobacco retail sales
- Conducts taxpayer educational consultations, providing assistance to first-year business owners
- Provides information in 23 languages
- Helps taxpayers get assistance on our redesigned multilingual webpage
- Assists taxpayers to resolve matters not solved by normal channels through our Taxpayers' Rights Advocate Office, 888-324-2798

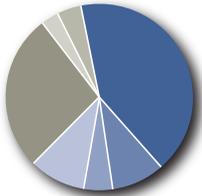
Highlights

Revenues

Programs administered by the BOE produced \$48.4 billion in revenue in 2008-09. The state's portion, \$36.7 billion, contributed 34.5 percent of all state revenue for the fiscal year.

BOARD OF EQUALIZATION 34.5%

- Sales and Use Taxes 27.3%
- Fuel Taxes 3.0%
- Other BOE Revenues 4.3%



OTHER AGENCIES 65.5%

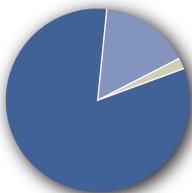
- Personal Income Tax 41.7%
- Corporation Tax 9.0%
- Motor Vehicle and Trailer Taxes 5.2%
- Other Revenues 9.5%

Total BOE revenues decrease

Fiscal year 2008-09 revenues totaled \$48.4 billion, 8.9 percent lower than the \$53.1 billion collected in 2007-08, and reflect the recession's impact on taxes administered by the BOE. Sales and use tax receipts, which totaled \$44.4 billion in 2007-08, dropped to \$39.9 billion, a decline of 10.1 percent.

2008-09 BOE Revenues

Billions of dollars



- Sales and use taxes \$39.9
- Other taxes and fees \$7.7
- Property taxes \$0.8

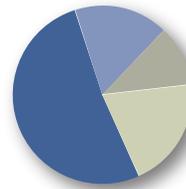
Program Revenues

Property Taxes

California property tax levies for fiscal year 2008-09 totaled \$49.8 billion, an increase of 5.6 percent from the previous year's total of \$47.2 billion. County-assessed property values fell \$106.6 billion during 2008-09 to reach \$4.4 trillion for the 2009-10 tax year.

In 2009, the BOE set the values of state-assessed properties—primarily privately owned public utilities and railroads—at \$76.1 billion for the 2009-10 roll. This was a \$400 million increase from 2008-09 values. State-assessed properties produced an estimated \$831 million in local property tax revenues for the state's 58 counties in 2008-09.

2008-09 General Property Tax Dollar



- School purposes \$0.5
- Counties \$0.2
- Cities \$0.1
- Other \$0.2

Private Railroad Car Tax

Private railcar owners pay the private railroad car tax on railcars operated in California. For 2009-10, the Board-adopted assessed value for private railroad cars totaled \$535.9 million. The total assessed value reflects the application of a 58.01 percent assessment ratio as required by the Federal Railroad Revitalization and Regulatory Reform Act. The estimated private railroad car tax revenue for the state's 2009-10 General Fund is \$5.9 million.

Timber Yield Tax

Timber owners pay the 2.9 percent timber yield tax based on the immediate harvest value of trees harvested for wood products. Revenues are returned to the counties where the timber was harvested. Calendar year 2008 revenues totaled \$11.2 million.

Timber harvest volume declined from 1.63 billion board feet to 1.37 billion board feet in 2008. The total value of the year's harvest decreased to \$323.3 million. The number of registered timber owners decreased from 1,893 active program registrants at the end of June 2008 to 1,633 program registrants as of June 30, 2009. Thirty timber owners paid approximately 73 percent of the tax collected in 2008.

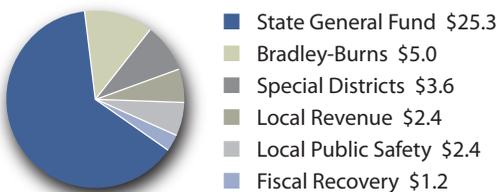
Sales and Use Taxes

California sales and use tax revenue totaled \$39.9 billion in 2008-09, a decrease of 10.1 percent from the \$44.4 billion total in 2007-08. Sales and use tax revenue included:

- \$31.4 billion from the state sales tax, with:
 - \$25.3 billion allocated to the state's General Fund; tax rate 5.0 percent through March 2009, 6.0 percent effective April 2009.
 - \$2.4 billion allocated to the state's Local Revenue Fund; tax rate of 0.50 percent.
 - \$2.4 billion allocated to the Local Public Safety Fund; tax rate of 0.50 percent.
 - \$1.2 billion allocated to the state's Fiscal Recovery Fund; tax rate of 0.25 percent.
- \$5.0 billion from the 1.0 percent Bradley-Burns Uniform Local Sales and Use Tax, allocated among all of the state's 58 counties and 480 cities.
- \$3.6 billion in special district transactions (sales) and use tax; rates vary by district.

2008-09 Sales and Use Tax Revenues

Billions of dollars



The sales and use tax rate in a specific California location has three parts: the state tax rate, the local tax rate, and any district tax rate that may be in effect. The statewide combined sales and local tax rate increased from 7.25 percent (6.25 percent state tax rate and 1.0 percent local tax rate) to 8.25 percent (7.25 percent state tax rate and 1.0 percent local tax rate) effective April 1, 2009. State sales and use taxes provide revenue to the state's General Fund, to cities and counties through specific state fund allocations, and to other local jurisdictions.

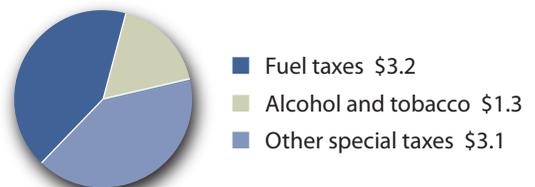
Special Taxes and Fees

In 2008-09, the BOE administered 20 special tax and fee programs that encompass a broad range of activities and transactions. Revenues from the insurance tax, alcoholic beverage tax, and a portion of cigarette tax receipts are allocated to the state's General Fund. Other special taxes and fees fund specific state services, from highway construction to recycling programs. The BOE administers more than half of the special tax and fee programs in cooperation with other state agencies.

BOE-administered special tax and fee program revenues totaled \$7.7 billion in 2008-09, a decrease of 3.4 percent from 2007-08 total revenues of \$7.9 billion. Fuel taxes totaled \$3.2 billion, while alcohol and tobacco taxes totaled approximately \$1.3 billion.

2008-09 Special Tax and Fee Revenues

Billions of dollars





Betty T. Yee
First District



Bill Leonard
Second District



Michelle Steel
Third District



Judy Chu, Ph.D.
Fourth District



John Chiang
State Controller

Created in 1879 by a constitutional amendment, the BOE was initially responsible for ensuring that county property tax assessment practices were equal and uniform throughout California.

The BOE began to levy four new taxes including insurance and corporate franchise taxes in 1911 to produce revenue for services throughout the state. As a result of the Great Depression, BOE assumed the collection of the newly created sales tax in 1933 and the use tax in 1935. Currently the BOE administers the state's sales and use, fuel, alcohol, tobacco, and other taxes and collects fees that fund specific state programs in addition to property taxes and fees.

At present, more than one million businesses are registered with the BOE .

To see the expanded web version of the 2008-09 Annual Report, please visit www.boe.ca.gov. The web version contains detailed information including 46 comprehensive statistical tables about BOE and its revenue generating efforts.

STATE BOARD OF EQUALIZATION

800-400-7115