



**STATE BOARD OF EQUALIZATION  
STAFF LEGISLATIVE BILL ANALYSIS**

Date Amended:	<b>03/08/05</b>	Bill No:	<b>SB 143</b>
Tax:	<b>Local Sales and Use</b>	Author:	<b>Runner</b>
Related Bills:	<b>AB 588 (Goldberg and Koretz)</b>		

**BILL SUMMARY**

This bill would require state agencies that prepare and maintain data and statistics on cities, to make a separate breakdown of the Antelope Valley.

**Summary of Amendments**

This bill was amended to revise the geographic description of the Antelope Valley.

**ANALYSIS**

**Current Law**

Since 1976, pursuant to Section 11093 of the Government Code, the Department of Finance, the State Department of Health Services, and the Department of Transportation have been required, in the preparation and maintenance of any statistical analyses of cities, to make a separate breakdown of the San Fernando Valley. The City of Los Angeles is required to provide all necessary data. However, other state agencies were not required to prepare or maintain any statistical information by city unless: (1) information was currently being prepared or maintained by city; or (2) a state agency voluntarily prepared or maintained information by city.

Effective January 1, 2005, the passage of Assembly Bill 2207 (Chapter 181, Statutes 2004) requires any state agency or department that develops and maintains data and statistics on the municipal level to make a separate breakdown of the San Fernando Valley in the preparation and maintenance of any statistical analyses by city, and authorizes state agencies to require the City of Los Angeles to provide all necessary data. If the use of a tax area code is required in order to make a separate breakdown of the San Fernando Valley, then an alternate method may be used to determine the separate breakdown of the San Fernando Valley.

Under current Bradley-Burns Uniform Local Sales and Use Tax Law, the Board is required to collect and maintain local tax data by city, county, or city and county. Under current Transactions and Use Tax Law, the Board is required to collect and maintain local tax data by special taxing district. The Board, in its annual report, publishes the following statistical data: (1) State Sales and Use Tax Statistics by County; (2) Revenues Distributed to Cities and Counties From Local Sales and Use Taxes; (3) Revenues Distributed to Counties From County Transportation Tax; and (4) Revenues Distributed to Special Districts From Transactions and Use Tax.

The Board publishes both a quarterly and annual booklet titled "Taxable Sales in California (Sales & Use Tax)." The booklets are a quarterly or annual report on retail sales activity in California. These reports provide taxable sales data by: (1) Statewide

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Taxable Sales, By Type of Business; (2) Taxable Sales, By County; (3) Taxable Sales in the 36 Largest Counties, By Type of Business; (4) Taxable Sales in the 22 Smallest Counties, By Type of Business; (5) Taxable Sales in the 272 Largest Cities, By Type of Business; and (6) Taxable Sales in All Cities Except the 272 Largest. Both the quarterly and annual reports are available on the Board's website at [www.boe.ca.gov](http://www.boe.ca.gov).

### Proposed Law

This bill would add Section 11093.5 to the Government Code to provide that any state agency or department that develops and maintains data and statistics on the municipal level, would be required to make a separate breakdown of the Antelope Valley. This bill also provides that if the use of a tax area code is required in order to comply with the provisions of this bill, an alternate method may be used to determine the separate breakdown of the Antelope Valley. This bill would also require the Counties of Kern and Los Angeles to provide all necessary data.

### COMMENTS

- 1. Sponsor and purpose.** This bill is sponsored by the author in an effort to promote the development of reliable statistical information for the distinct region of the Antelope Valley by expanding and enforcing existing data collection efforts. According to the author's office, Antelope Valley is a "distinctive region within Los Angeles County with its own set of priorities and challenges." They believe this information will permit more accurate planning for transportation, infrastructure, education, land use, and economic development for this geographically distinct region.
- 2. The March 8, 2005 amendments** changed the geographic description of the Antelope Valley.
- 3. To develop data using the Board's tax area code system would be costly.** As previously stated, the Board maintains two types of data by city and county: distributions of local sales and use tax revenues and taxable sales. This information is collected and maintained using a tax area code system. All registered permit holders are assigned a tax area code. A tax area code is a twelve (12) digit number that identifies the city and county in which the account is located, as well as any special districts or redevelopment areas.

To implement the provisions of this bill using the Board's existing system, and not an alternative method as this bill allows, the Board would have to create a special tax area code for the Antelope Valley. Once the tax area code is established, the Board would have to identify all accounts within the Antelope Valley. The Board requires all newly incorporated cities to furnish maps and listings of street addresses. The Board would have to print out all accounts currently within the Counties of Kern and Los Angeles. Using the street listings provided by the Counties of Kern and Los Angeles, Board staff would have to compare each business address from the Board's records to the county's street listing to identify those accounts within the Antelope Valley.

Once the accounts have been identified, each account must be changed on the Board's registration system. This would require changing the tax area code,

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entering comments regarding the nature of the changes made, and other minor modifications. When changes have been made to the registration system, a listing of all accounts that were changed, as well as copies of maps and street listings, are forwarded to the appropriate district offices for distribution to personnel responsible for registration of new accounts.

Other tasks associated with establishing the new area for the Antelope Valley include: preparing written guidelines for audit and compliance staff; designing and printing a special mailer to be mailed with the tax returns to all affected accounts, and revising various forms and publications.

4. **Previous study done on the San Fernando Valley was acceptable as an “alternate method” under Section 11093 of the Government Code.** In 2002, the Los Angeles County Local Area Formation Commission (LALAFCO) compiled data of local sales tax revenues attributable to the San Fernando Valley. The LALAFCO asked Board staff to review the data for accuracy. Specifically, the LALAFCO asked the Board to verify its estimate of local tax revenues on consolidated accounts where some of the business locations are located within the City of Los Angeles and others are located within the San Fernando Valley. Board staff reviewed the data and found that the estimate of local tax revenues on consolidated accounts was off by about 10 percent.

A consolidated account is a sales tax account with two or more selling locations (also called “sales outlets”) for which a single tax return is filed. For sales outlets located within the same city, a single amount of local tax may be reported. However, the majority of consolidated accounts provide a breakdown of all sales outlets and the local tax attributable to those outlets.

While the City of Los Angeles is given information regarding the total local tax revenues attributable to sales outlets in the city, it is not provided with the detail by sales outlet. As such, the city cannot allocate the revenues specifically for the San Fernando Valley. Board staff was able to verify the data on most of the consolidated accounts in a minimal amount of time.

Prior to the enactment of last year’s Assembly Bill 2207, Board staff met with the author’s staff to discuss how it prepared statistical data on cities. Board staff explained to the author’s office that to use a tax area code to make a separate breakdown for the San Fernando Valley would be too costly. The author’s staff recommended amending the bill to provide that, in the case where a tax area code is used in making a separate breakdown for the San Fernando Valley, an alternate method may be used instead. Board staff explained that, if the City of Los Angeles were to compile data on the San Fernando Valley like LALAFCO did in 2002, with the Board performing a minimal amount of verification, such work could be done with insignificant costs (i.e., under \$10,000) to the Board. However, any other method that would require the Board to compile all the data would result in significant costs to the Board.

5. **The Board provides registration and allocation information upon request to cities and counties.** Registration information includes the following: (1) account

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name (and dba, if applicable); (2) the business address; (3) account number; (4) code for type of ownership; and (5) code for type of business. In addition to the registration data provided by the Board, local jurisdictions may also request a list of the local sales tax dollars allocated to the jurisdiction from taxpayers' returns and from nonrecurring transactions such as audits, refunds, fund transfers, and payment from late returns. Cities and counties typically monitor this data for questionable tax allocations or unusual dollar amounts, but also find it useful as a budgeting tool.

- 6. Antelope Valley.** The Antelope Valley is located in eastern Kern County and in northern Los Angeles County. There are five incorporated cities in the Antelope Valley: California City, Lancaster, Palmdale, Quartz Hill, and Little Rock. The majority of the retail activity is in the Cities of Lancaster and Palmdale. The Antelope Valley Mall, located in Palmdale, has approximately 140 retail stores including a food court.

The Board already prepares data on the five cities in the Antelope Valley. The data that the Board does not have is the retail activity in the Antelope Valley that is in the unincorporated areas of Kern and Los Angeles counties. However, it appears that most of the taxable sales activity in the Antelope Valley would be in the five incorporated cities, which is published in the Board's quarterly publication titled, Taxable Sales in California (Sales & Use Tax).

- 7. Related Legislation.** Assembly Bill 588 (Goldberg and Koretz) would require state agencies that prepare and maintain data and statistics on cities, to make a separate breakdown of the community of Hollywood, and would require the City of Los Angeles to provide all necessary data.

## **COST ESTIMATE**

This bill would require all state agencies that collect and maintain data on a city level to make a separate breakdown for the Antelope Valley. However, where a tax area code is required to comply with the provisions of the bill, an alternate method may be used. Board staff is currently working with the author's office to determine an alternate method, including the data that the Counties of Kern and Los Angeles would be required to provide. A cost estimate is pending.

## **REVENUE ESTIMATE**

This bill would not impact the state's revenues.

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