STATE BOARD OF EQUALIZATION
STAFF LEGISLATIVE BILL ANALYSIS

DRAFT

Date Amended:	**05/31/05**	Bill No:	**SB 577**
Tax:	**Sales and Use**	Author:	**Figueroa**
Related Bills:	**AB 168 (Ridley-Thomas)** **AB 735 (Arambula)**		

This analysis will only address the bill's provisions that affect the Board

BILL SUMMARY

This bill would require the Department of Finance (DOF), in consultation with the Board and the Franchise Tax Board (FTB), to report to the Legislature by January 1, 2008, on the effectiveness of "tax expenditures," as defined.

This bill also addresses a number of issues and recommendations raised by the California Performance Review. Those issues that would have a direct impact on the Board are as follows:

- Require all state agencies to participate in the CAL-Card Program for purchases up to $5,000.
- Require all state agencies to utilize the California Automated Travel Expense Reimbursement System (CalATERS) or other more efficient and less costly system by January 1, 2008.
- Require all state agencies to use the State Contract and Procurement Registration System.
- Require all state agencies that contract for services to annually submit a specified report to the Legislature relating to those contracts.

Summary of Amendments

The May 31, 2005 amendments do the following: (1) provide that DOF, in consultation with the *Board* and FTB, include *additional information* in their report on the effectiveness of tax expenditures; and (2) require all state agencies that contract for services to annually submit a report to the Legislature, as specified.

ANALYSIS

Current Law

Tax Expenditures. Since 1971, pursuant to Section 13305 of the Government Code, the DOF has been required to provide a tax expenditure report to the Legislature. Chapter 1762, Statutes of 1971, required that the report be submitted to the Legislature once every two years. Chapter 268, Statutes of 1984, increased the reporting frequency to once a year. The required report includes each of the following:

- A comprehensive list of tax expenditures.
- Additional detail on individual categories of tax expenditures.

This staff analysis is provided to address various administrative, cost, revenue and policy issues; it is not to be construed to reflect or suggest the Board's formal position

- Historical information on the enactment and repeal of tax expenditures.

CAL-Card. With respect to payment methods used by state agencies, the Prompt Payment Act (Government Code Section 927) requires state agencies to pay undisputed invoices within 45 days of receipt or late payment penalties will incur. State agencies primarily use two payment methods when buying goods and services. One method is a typical paper process, which requires state agencies to go through many administrative functions and results in processing numerous individual invoices. The second method is a state charge card process, which allows state agencies to pay vendors at the point of sale and to receive payment performance and sales volume rebates for those purchases. The Department of General Services has entered into an agreement with U.S. Bank allowing state agencies to make procurement transactions for goods and services through the purchase card system known as CAL-Card.

Service Contracts. With respect to contracts and procurements by state agencies, there are many statutes, regulations, and written policies governing these areas. The State Administrative Manual (SAM) is the primary policy document for procurement of various types of items and services. In addition to the SAM, there is the State Contracting Manual, which provides information on service contracts, and the Purchase Authority Manual which provides guidance in the procurement of goods and information technology goods and services.

Proposed Law

This bill would add Chapter 8.7 (commencing with Section 11830) to Part 1 of Division 3 of Title 2 of the Government Code to, among other things, do the following:

1) Require the DOF, in consultation with the Board and the FTB, to provide a report to the Legislature, by January 1, 2008, on the effectiveness of tax expenditures.

    - Defines “tax expenditures” to mean any special provision in the tax law that results in the collection of fewer tax revenues than would be collected under the basic tax structure.

    - Would address the following issues: (1) the public policy purpose of the tax expenditure and whether that purpose has been achieved, and (2) the effect of the tax expenditure on state and local revenues.

2) Require all state agencies to participate in the CAL-Card Program for purchases up to $5,000;

3) Require all state agencies to use the State Contract and Procurement Registration System and require the Governor, by February 1, 2006, to certify to the Legislature that all managers who might use the system have been notified of the legal requirement to do so;

4) Require all state agencies to utilize the CalATERS or other more efficient and less costly system by January 1, 2008;

5) Require all state agencies that enter into contracts for services to annually report to the Legislature by each March 31, on the status of that agency’s contracts for services entered into during the 12 months preceding the date of the report. The report should address the following issues: (1) all efforts made by the agency to determine that the services cannot be comparably performed by existing state employees; and (2) all efforts made by the agency to comply with the requirements

pursuant to Article 4 (commencing with Section 19130) of Chapter 5 of Part 2 of Division 5 of Title 2 of the Government Code and Sections 10295 to 10412 of the Public Contracts Code.

Background

Tax Expenditures

AB 2106 (Ridley-Thomas, 2004) was introduced as a result of Assembly Budget Committee Oversight hearings at which was discussed the usefulness of regular ongoing review and evaluation of tax expenditures as a means to eliminate wasteful or ineffective programs. This bill would have required the DOF, in conjunction with the Governor's Budget, to submit to the Legislature a report of tax expenditures currently in effect. The bill would have also specified that, among other things, based on information provided by the Board and to the extent feasible, the report include the number of tax returns or taxpayers affected by any sales or use tax expenditure, the distribution of that expenditure, and the size any type of business or industry to which that expenditure is made available.

AB 2106 was vetoed by Governor Schwarzenegger. The Governor's veto message states:

> "Under existing law, the Department of Finance already is required to provide an annual tax expenditure report to the Legislature containing specific information. This bill changes the type of information that is provided in the annual report. However, some of the information that Department of Finance would be required to report is not available. For example, the original intent of a given tax expenditure is often not clearly defined in the enabling statute. In addition, the number and income distribution of taxpayers benefiting from sales tax exemptions would not be known because this information is not required to be reported by retailers when filing their tax returns. Furthermore, some of the information might not be available for reporting to the Legislature because of existing confidentiality requirements."

SB 1710 (Hayden, 2000) would have enacted the 2000 Public Subsidies, Public Benefits Act and would have required the LAO to complete reviews of the economic and employment impacts of selected state business tax expenditures, as defined, and selected public subsidies by the state that would be selected annually in consultation with the chairs of the finance committees of the Legislature. This bill would have required the Board to report to the LAO specified information regarding taxpayers claiming any business tax expenditure or receiving any public subsidy. The bill also would have imposed specified reporting requirements on taxpayers claiming any business tax expenditures or receiving a public subsidy and would have required that such reports be made to the FTB and other agencies providing a public subsidy.

SB 1710 was vetoed by Governor Davis. Governor Davis' veto message stated, in part:

> "Implementing this bill would result in significant administrative costs for the Franchise Tax Board to develop new procedures to collect and verify information that is not part of the existing tax system."

California Performance Review

On August 3, 2004, the California Performance Review (CPR) released its report on reforming California's state government. The CPR has four volumes that are divided into the following categories: (1) summarizes CPR's recommendations including its major goals; (2) evaluates the state's fiscal and performance management practices including a reorganization plan for state government; (3) provides a budget and financial review of the state's government; and (4) contains individual proposals and recommendations. The fourth volume of the CPR identifies 279 issues with over 1,200 recommendations covering a number of areas. Some of the areas include various contracting and procurement reforms.

One of the recommendations of the CPR was for the Department of General Services (DGS) to develop policies mandating the use of the CAL-Card for purchases of $5,000 and below. The DGS has entered into a Master Services Agreement with U.S. Bank for Visa card services effective through December 22, 2006. The CAL-Card Program allows state agencies to use the Visa card for making purchases of goods and services. Currently, the CAL-Card may be used to make procurements up to $25,000 per transaction. However, there is no requirement that state agencies use the CAL-Card program for their purchases.

According to the CPR, not all state agencies are taking advantage of the significant savings and administrative streamlining afforded by the CalATERS. The CalATERS was developed by the State Controller's Office and is available to all state agencies to automate travel claims processing. The CPR recommends that all state agencies implement and use CalATERS.

The CPR commented on the fact that there has been no centralized listing of state vendor agreements. According to the CPR, the recently implemented State Contract and Procurement Registration System can provide this information, but there is no requirement for state agencies to use it. The CPR recommended that DGS revise the SAM to require state agencies performing debt collection to use the State Contract and Procurement Registration System to determine if an offset against payments can be made.

COMMENTS

1. **Sponsor and purpose.** This bill is sponsored by the author in an effort to address certain issues raised by CPR with respect to state fiscal accountability. According to the author's office, the bill's provisions were inspired by issues raised in the CPR, but are more of a scaled-down version, and not the exact recommendations in the CPR.

2. **The May 31, 2005 amendments:** (1) provide that DOF, in consultation with the *Board* and FTB, include *additional information* in their report on the effectiveness of tax expenditures; and (2) require all state agencies that contract for services to annually submit a report to the Legislature, as specified.

3. **Sales and Use Taxes - The Board does not have specific data on all tax expenditures.** In general, revenue estimates and expenditure data for the Personal Income Tax and Corporation Tax Laws are easier to quantify than they are for the Sales and Use Tax Law. Personal income and corporation tax returns contain significant detail regarding different sources of income and types of

exemptions, exclusions, deductions, and credits claimed. Thus, tax return data are often available when estimating the fiscal impact of various income and corporate tax expenditure programs. In contrast, returns filed by taxpayers under the Sales and Use Tax Law (a copy of which is attached) contain little specific information regarding tax expenditures.

As shown on the attached sales and use tax return, some of the more common tax expenditures allowed under the Sales and Use Tax Law are separately identified on the return itself for purposes of allowing taxpayers to claim the deduction. These include deductions for, among others, sales of food products, sales to the U.S. Government, sales in interstate or foreign commerce, and nontaxable labor (note, the law contains numerous other tax exemptions and exclusions not separately identified on the return). However, instead of actually itemizing these deductions, many taxpayers simply report their taxable sales, netting out any exempt sales. Any attempt to capture the amount of exempt sales would require a much more extensive tax return and would require a very large effort from taxpayers to detail these transactions. However, even if the Board were to require retailers to report on each tax expenditure, we would still not have any data regarding the consumers that are actually benefiting from these exemptions.

Because the sales and use tax return information does not capture specific data on the myriad of tax exemptions and exclusions provided under the law, it is not a reliable source to use in making estimates of revenue losses attributable to those exemptions and exclusions. Consequently, the Board generally relies on independent data sources when estimating the revenue impacts of various sales tax expenditure programs.

The exception to this is for partial exemptions. The Board currently requires the taxpayer to specify the amount of those exemptions that apply to only a portion of the combined state and local sales and use tax. There are currently five such exemptions in effect:

Teleproduction Equipment

Farm Equipment

Diesel Fuel Used in Farming and Food Processing

Timber Harvesting Equipment and Machinery

Racehorse Breeding Stock

Sales of these commodities are exempt from the *state* sales and use tax. Local and special district sales and use taxes continue to apply. In order for a taxpayer to claim these exemptions, they must report the amount of the transactions that are subject to the partial exemption.

Since the bill provides that the DOF shall request assistance from the Board in determining the effectiveness of tax expenditures, the information that the Board would provide would be actual data on the five partial tax exemptions and estimated data using independent data sources on other exemptions, to the extent feasible. It should be noted that there are some tax expenditures for which information is <u>not</u> available (e.g., exemption for sales of vehicles to certain family members).

4. **Special Taxes- the Board does not have specific data on all tax expenditures.** The Board administers the following special tax and fee programs: Aircraft Jet Fuel

Tax, Alcoholic Beverage Tax, California Tire Fee, Childhood Lead Poisoning Prevention Fee, Cigarette and Tobacco Products Tax, Diesel Fuel Tax, Electronic Waste Recycling Fee, Emergency Telephone Users Surcharge, Energy Resources Surcharge, Hazardous Substances Tax, Insurance Tax, Integrated Waste Management Fee, Interstate User Tax, Marine Invasive Species Fee, Motor Vehicle Fuel Tax, Natural Gas Surcharge, Occupational Lead Poisoning Prevention Fee, Oil Spill Response, Prevention, and Administration Fees, Underground Storage Tank Maintenance Fee, Use Fuel Tax and Water Rights Fee.

Some of the major tax exemptions are: Distilled spirits exported or sold to common carriers, Distilled spirits sold to armed forces, Beer and wine exported from California, Exempt distributions of cigarettes sold and shipped in interstate or foreign commerce, Exempt distributions of cigarettes sold to interstate foreign passenger common carriers, Exempt distributions of cigarettes sold to U.S. Military exchanges, commissaries, ship stores & U.S. Veterans Administration, Motor vehicle and diesel fuel exported, Fuel sold to the United States Government, Diesel and use fuel for use on farms, Diesel and use fuel for exempt bus operators, Diesel and use fuel for off-highway vehicle operations, Aircraft jet fuel sold to the United States Armed Forces, Aircraft jet fuel sold to air common carriers, and Aircraft jet fuel exported.

As shown above, some of the more common special tax expenditures are separately identified on the return. However, like sales and use tax expenditures, many taxpayers net out exempt sales or combine exempt sales on one line of the return. For these reasons, the return does not capture all data on the various exemptions. Consequently, the Board generally relies on independent data sources when estimating the revenue impacts of various special tax expenditure programs.

5. **Property Taxes**. Property taxes are largely administered by county assessors in the state's 58 counties. The Board provides oversight to the 58 county assessors and monitors the adequacy of their assessment practices.

The state Constitution provides for a variety of full and partial exemptions from the property tax. Some the exemptions are required by the Constitution. Others are not specifically required but the Constitution provides that the Legislature may, by statute, provide for the exemption. This bill defines "tax expenditures" to mean any special provision in the tax law that results in the collection of fewer tax revenues than would be collected under the basic tax structure. Would the exemptions required by the state Constitution be considered "tax expenditures" under the provisions of this bill[1]?

There are over 100 exemptions and exclusions from property tax. "Exemption" is the freedom from a general duty or service, or immunity from certain legal obligations such as the payment of taxes. An exclusion, for property tax purposes, is the denial of reassessment. For real property, some of the major exemptions are: Disabled Veterans Exemption, Homeowners' Exemption[2], and Welfare Exemption. For real property, some of the major exclusions are: Disabled New Construction Exclusion, Disaster Relief Change in Ownership and New

[1] One of the largest tax expenditures is the Proposition 13 revenue loss, and the Proposition 8 decline in value.
[2] The Homeowners' Exemption is a budget expenditure. The counties are reimbursed by the state. It is shown in Schedule 9 under Tax Relief of the Budget Act.

Construction Exclusions, Interspousal Change in Ownership Exclusion, Over 55 and Disabled Homeowners' Change in Ownership Exclusion, Parent-Child and Grandparent-Grandchild Change in Ownership Exclusion, and Seismic Safety New Construction Exclusion.

Data on some of the exemptions are maintained by the county assessors. For the exclusions, in general, the data is not maintained. In the case where data is not maintained, the Board would estimate the revenue impact using independent data sources, to the extent feasible. However, in some cases, it is not possible to quantify the revenue loss of a tax expenditure because the data is not available.

In addition, there are preferential tax treatments for real property. Would preferential tax treatments be considered tax expenditures? One of the major preferential tax treatments is the Williamson Act. The Williamson Act program provides a tax incentive for the conservation of farmlands, open space, and wildlife habitat lands by reducing the property tax on land that is restricted for these purposes. For real property qualifying for special treatment under the Williamson Act[3], data is available to develop an estimated revenue loss.

For personal property, some of the major exemptions are: Aircraft Being Repaired, Aircraft of Historical Significance, Business Inventories[4], Cargo Containers Used in Ocean Commerce, Financial Assets, Household Furnishings and Personal Effects, Vessels, Documented Vessels, and Vessels Under Construction. For the personal property tax exemptions, data is maintained on some of the exemptions. For those exemptions where data is not maintained, a revenue estimate would be developed using independent data sources, to the extent feasible, unless such data was not available. An example of a personal property tax expenditure for which a revenue loss could not be quantified would be Financial Assets.

6. **What time period would this report cover.** It would be helpful if the bill specified a time period for which to calculate the tax expenditures. While it may be possible to estimate a revenue loss for one year, it may not be feasible to calculate multiple years or even decades.

7. **Board utilizes the CAL-Card Program and the State Contract and Procurement Registration System (SCPRS).** This bill would require all state agencies to participate in the CAL-Card Program for purchases up to $5,000. The Board is already in compliance with this proposed requirement. Board staff involved in the procurement process have been issued Cal-Cards and use the cards for making purchases of goods and services.

   Staff from the Board's Contract and Procurement Section currently utilizes the SCPRS for both purchase orders and contracts over $5,000. The SCPRS allows state agencies to submit contracting and purchasing information electronically through the DGS website.

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[3] The Williamson Act is a budget expenditure. The counties are reimbursed by the state. It is shown in Schedule 9 under Tax Relief in the Budget Act.

[4] Business Inventories are 100 percent exempt starting 1980-81. This exemption is often overlooked because the owner does not have to file a claim.

8. **Board is in compliance with the CalATERS.** Board staff implemented the CalATERS in early 2004. On March 5, 2004, all Board employees received a memorandum explaining the CalATERS. Beginning the end of March through May of 2004, staff from the State Controller's Office and the Board's Accounting Section staff conducted training on how to use the CalATERS. Board employees can access the CalATERS through the Board's website.

9. **Related Legislation.** AB 168 (Ridley-Thomas) would, among other things, do the following: (1) require the Board and the FTB to each provide a report of the estimated revenue losses of tax expenditures, determined using a static revenue analysis, in excess of $10 million, no later than November 15, 2006, and on or before November 15 of each year thereafter; (2) require the DOF to provide a report to the Legislature and the LAO of the estimated revenue losses attributable to the tax expenditures identified in the Board's and the FTB's reports, by February 1, 2007, and on or before January 15 of each year thereafter; and (3) require the LAO to review the reports submitted by the Board, FTB, and DOF and make recommendations to the Legislature regarding tax expenditures to modify or repeal, by March 1, 2007, and on or before March 1 of each year thereafter. This bill is in the Senate.

   AB 735 (Arambula) would: (1) require the Legislative Analyst's Office (LAO) to establish a process to review all tax exceptions, and submit a report to the Legislature by December 31, 2006; (2) require the LAO to review and analyze any relevant reports prepared by the DOF, and request assistance from the Board and the FTB in order to make the report as comprehensive as possible; and (3) direct the Assembly and Senate Revenue and Taxation Committees to review the report submitted by the LAO and authorize them to select a group of tax exceptions for deletion or modification, reporting their recommendations to the fiscal committees for consideration during the budget process. This bill has not yet been heard by a committee.

COST ESTIMATE

As explained previously, the Board does not capture reliable data on all tax expenditures. This bill requires the DOF to prepare a report on the effectiveness of tax expenditures. The bill also states that the DOF can request assistance from the Board and the FTB. Some costs would be incurred for the Board to provide estimated data using independent data sources. Also, costs would be incurred for the Board to design a questionnaire to be sent to all 58 county assessors, including the evaluating of the data provided by the assessors. A detailed cost estimate is pending.

With respect to the Cal-Card Program, CalATERS, and the SCPRS provisions in the bill, the Board has already implemented these requirements. Therefore, there would be no cost impact to the Board.

REVENUE ESTIMATE

To the extent that future reviews and evaluations result in the identification and termination of ineffective or inappropriate tax expenditures, enactment of this measure could result in unknown additional revenues.

The other provisions in the bill related to the Cal-Card Program, CalATERS, and the SCPRS would not impact the state's revenues.

ATTACHMENT

http://www.boe.ca.gov/pdf/boe401a2.pdf

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This staff analysis is provided to address various administrative, cost, revenue and policy issues; it is not to be construed to reflect or suggest the Board's formal position

BOE-401-A2 (S1) REV. 96 (10-04)

STATE OF CALIFORNIA
BOARD OF EQUALIZATION

STATE, LOCAL and DISTRICT SALES and USE TAX RETURN

BOARD USE ONLY		
RA-TT	LOC	REG
RA-BTR	AACS	REF
EFF		

DUE ON OR BEFORE **FOR** PERIOD YEAR

IMPORTANT:

Your account number and reporting period are required.

SELLER'S PERMIT ACCOUNT NUMBER ***(i.e., SRY XX-XXXXXXX)***
Select one

NAME

BUSINESS ADDRESS

CITY STATE ZIP

Mail To:
BOARD OF EQUALIZATION
PO BOX 942879
SACRAMENTO CA 94279-7072

READ RETURN INSTRUCTIONS 05-1 BEFORE PREPARING THIS RETURN

1. TOTAL *(gross)* SALES	1.	$ .00
2. PURCHASES SUBJECT TO USE TAX	2.	.00
3. TOTAL *(add lines 1 and 2)*	3.	.00
PLEASE COMPLETE LINES 4 THRU 10(f) ON THE **BACK PAGE** OF THIS RETURN.		
11. TOTAL NONTAXABLE TRANSACTIONS REPORTED *(Enter total deductions from line 11 on the back page)*	11.	.00
12. TRANSACTIONS SUBJECT TO STATE TAX *(subtract line 11 from line 3)*	12.	.00
12.(a) ENTER AMOUNT FROM TAX ADJUSTMENT WORKSHEET LINE 12, COLUMN C	12.(a) .00	
13. **STATE** TAX 6% *(multiply line 12 by .06* ***OR*** *enter line 13, Column D from the Tax Adjustment Worksheet)*	13.	.00 <
14. (a) TRANSACTIONS SUBJECT TO COUNTY TAX *[add amount in box 61 (back) and line 12 above]*	14.(a)	.00
(b) **COUNTY** TAX 1/4% *[multiply line 14(a) by .0025]*	14.(b)	.00 <
15. ADJUSTMENTS FOR LOCAL TAX *(see line 15 instructions)*	15.	.00
16. TRANSACTIONS SUBJECT TO LOCAL TAX *[add or subtract line 15 to/from line 14(a)]*	16.	.00
17. **COMBINED STATE AND LOCAL** TAX 1% *(multiply line 16 by .01)*	17.	.00 <
18. **DISTRICT** TAX *(from Schedule A, line A11)* YOU **MUST** COMPLETE FORM BOE-531-A, SCHEDULE A IF YOU ARE ENGAGED IN BUSINESS IN A TRANSACTIONS AND USE TAX DISTRICT	18.	.00 <
19. **TOTAL STATE, COUNTY, LOCAL AND DISTRICT TAX** *[add lines 13, 14(b), 17, & 18]*	19.	.00
20. DEDUCT SALES OR USE TAX IMPOSED BY OTHER STATES AND PAID ON THE PURCHASE PRICE OF TANGIBLE PERSONAL PROPERTY. THE PURCHASE PRICE MUST BE INCLUDED IN LINE 2 ABOVE.	20.	.00
21. **NET TAX** *(subtract line 20 from line 19)*	21.	.00
22. LESS-TAX PREPAYMENTS — 1st prepayment (Tax only) $ — 2nd prepayment (Tax only) $	22.	.00
23. REMAINING TAX *(subtract line 22 from line 21)*	23.	.00
24. PENALTY of 10% (.10) is due if your tax payment is made, or your return is filed, after the due date shown above. (see line 24 instructions)	PENALTY 24.	.00
25. INTEREST: One month's interest is due on tax for each month or fraction of a month that payment is delayed after the due date. The adjusted monthly interest rate is .00583 (7% divided by 12).	INTEREST 25.	.00
26. **TOTAL AMOUNT DUE AND PAYABLE** *(add lines 23, 24, and 25)*	26.	$ .00

REC. NO

PM

RE

IF YOU PAID BY CREDIT CARD AS DESCRIBED ON PAGE 1 OF THE INSTRUCTIONS, CHECK HERE [ ].

I hereby certify that this return, including any accompanying schedules and statements, has been examined by me and to the best of my knowledge and belief is a true, correct and complete return.

YOUR SIGNATURE AND TITLE	TELEPHONE NUMBER ( )	DATE
PAID PREPARER'S USE ONLY — PAID PREPARER'S NAME	PREPARER'S TELEPHONE NUMBER ( )	

I/F

Make a copy for your records.

CONTINUE

STATE OF CALIFORNIA
BOARD OF EQUALIZATION

STATE, LOCAL and DISTRICT SALES and USE TAX RETURN

YOUR ACCOUNT NO.	REPORTING PERIOD

Deductions/Exemptions Schedule

Line	Description	Box	Amount	Box	Amount
4.	SALES TO OTHER RETAILERS FOR PURPOSES OF RESALE			50	$ .00
5.	NONTAXABLE SALES OF FOOD PRODUCTS			51	.00
6.	NONTAXABLE LABOR *(repair and installation)*			52	.00
7.	SALES TO THE UNITED STATES GOVERNMENT			53	.00
8.	SALES IN INTERSTATE OR FOREIGN COMMERCE			54	.00
9.	SALES TAX (if any) INCLUDED ON LINE 1 ON THE FRONT OF THE RETURN			55	.00
10. (a) (1)	BAD DEBT LOSSES ON TAXABLE SALES			56	.00
(2)	BAD DEBT LENDER LOSSES			62	.00
(b)	COST OF TAX-PAID PURCHASES RESOLD PRIOR TO USE			57	.00
(c)	RETURNED TAXABLE MERCHANDISE			58	.00
(d)	CASH DISCOUNTS ON TAXABLE SALES			59	.00
(e)	PARTIAL STATE TAX EXEMPTION - ***IF YOU ARE REPORTING ANY TRANSACTIONS THAT OCCURRED PRIOR TO 7-1-04, YOU MUST COMPLETE THE PARTIAL STATE TAX EXEMPTION WORKSHEET, PAGE 3 OF BOE-531-T, SCHEDULE T, BEFORE YOU CLAIM ANY OF THESE DEDUCTIONS.***				
(1)	AMOUNT SUBJECT TO THE MANUFACTURER'S EQUIPMENT EXEMPTION *[If you are completing Schedule T, enter the amount from Partial State Tax Exemption Worksheet, Column D, line 10(e)(1)]* **(discontinued 12-31-03)**	63	.00		
(2)	AMOUNT SUBJECT TO THE TELEPRODUCTION EQUIPMENT EXEMPTION *[If you are completing Schedule T, enter the amount from Partial State Tax Exemption Worksheet, Column D, line 10(e)(2)]*	64	.00		
(3)	AMOUNT SUBJECT TO FARM EQUIPMENT EXEMPTION *[If you are completing Schedule T, enter the amount from Partial State Tax Exemption Worksheet, Column D, line 10(e)(3)]*	65	.00		
(4)	AMOUNT SUBJECT TO THE DIESEL FUEL USED IN FARMING AND FOOD PROCESSING EXEMPTION *[If you are completing Schedule T, enter the amount from Partial State Tax Exemption Worksheet, Column D, line 10(e)(4)]*	66	.00		
(5)	AMOUNT SUBJECT TO THE TIMBER HARVESTING EQUIPMENT AND MACHINERY EXEMPTION *[If you are completing Schedule T, enter the amount from Partial State Tax Exemption Worksheet, Column D, line 10(e)(5)]*	67	.00		
(6)	AMOUNT SUBJECT TO THE RACEHORSE BREEDING STOCK EXEMPTION *[If you are completing Schedule T, enter the amount from Partial State Tax Exemption Worksheet, Column D, line 10(e)(6)]*	68	.00		
	TOTAL PARTIAL STATE TAX EXEMPTIONS - *If you are required to complete the Tax Adjustment and Partial State Tax Exemption Worksheet, enter the amount from page 3, Column D, box 60. If you are not required to complete the Worksheet, enter the sum of boxes 63 through 68.*	60	.00		
	STATE TAX EXEMPTION FACTOR - *Only for use if Partial State Tax Exemption Worksheet is* ***NOT*** *required.*		.8750		
	TOTAL ADJUSTED PARTIAL EXEMPTIONS - *If you completed BOE-531-T, Schedule T, enter the amount from page 1, Column D, box 61. If you did not complete Schedule T, multiply the amount in box 60 by the State Tax Exemption Factor shown above and enter the result in box 61.*			61	.00
(f)	OTHER *(clearly explain)*			90	.00
11.	**TOTAL NONTAXABLE TRANSACTIONS** *[Add lines 4 thru 10(d), box 61 and line 10(f), then enter here* ***and*** *on the front page line 11]*			11	$ .00

STATE OF CALIFORNIA
BOARD OF EQUALIZATION

SCHEDULE A - COMPUTATION SCHEDULE FOR DISTRICT TAX

DUE ON OR BEFORE

[FOID]

YOUR ACCOUNT NO.

A1	AMOUNT ON WHICH LOCAL TAX APPLIES *(Enter amount from line 16 on the front of your Sales and Use Tax Return)*	$ .00
A2/A3	DEDUCT sales delivered to any location not in a district tax area 000	- .00
A4	AMOUNT OF DISTRICT TRANSACTIONS *(Subtract line A2/A3 from line A1)* *(Allocate this amount to the correct district tax areas in Column A5)*	$ .00

READ RETURN INSTRUCTIONS 05-1 BEFORE PREPARING THIS SCHEDULE

Please round cents to the nearest whole dollar

DISTRICT TAX AREAS		A5 ALLOCATE LINE A4 TO CORRECT DISTRICT(S)	A6/A7 ADD (+) / DEDUCT (-) ADJUSTMENTS	A8 TAXABLE AMOUNT A5 plus/minus A6/A7	A9 TAX RATE	A10 DISTRICT TAX DUE Multiply A8 by A9
ALAMEDA CO. Bay Area Rapid Transit	020				**.005**	$ .00
087 ALAMEDA CO. Transportation Improvement Authority	079				**.005**	.00
ALAMEDA CO. Essential Healthcare Services	086				**.005**	.00
*CONTRA COSTA CO.	025				**.01**	.00
096 CITY OF RICHMOND	095				**.005**	.00
CITY OF PLACERVILLE (El Dorado Co.)	070				**.0025**	.00
CITY OF SOUTH LAKE TAHOE (El Dorado Co.)	097				**.005**	.00
*FRESNO CO.	072				**.00625**	.00
099 *FRESNO CO. (Zoo Authority)	098				**.001**	.00
100 CITY OF CLOVIS	073				**.003**	.00
CITY OF TRINIDAD (Humboldt Co.)	092				**.01**	.00
*IMPERIAL CO.	029				**.005**	.00
046 *CITY OF CALEXICO	045				**.005**	.00
INYO CO.	014				**.005**	.00
CITY OF CLEARLAKE (Lake Co.)	058				**.005**	.00
CITY OF LAKEPORT (Lake Co.)	101				**.005**	.00
*LOS ANGELES CO.	036				**.01**	.00
078 *CITY OF AVALON	077				**.005**	.00
MADERA CO.	034				**.005**	.00
MARIN CO.	102				**.005**	.00
MARIPOSA CO. (Effective 4-1-05)	103				**.005**	.00
MARIPOSA CO. (Expired 6-30-04)	076	Discontinued			**.005**	.00

Continue to back of form

A11(a)	TOTAL DISTRICT TAX (FRONT) *Add Column A10.*	.00
A11(b)	TOTAL DISTRICT TAX (BACK) *Enter total from Column A10, Schedule A (Back).*	.00
A11	TOTAL DISTRICT TAX *Add lines A11(a) and A11(b). (Enter here and on line 18 on front of your Sales and Use Tax Return.)*	$ .00

*This district tax area includes more than one transactions and use tax district. (See Instructions 05-1 for Schedule A.)

BOE-531-A (BACK) REV. 10 (5-05)

READ RETURN INSTRUCTIONS 05-1 BEFORE PREPARING THIS SCHEDULE
Please round cents to the nearest whole dollar.

SCHEDULE A - COMPUTATION SCHEDULE FOR DISTRICT TAX

ACCOUNT NUMBER	REPORTING PERIOD

DISTRICT TAX AREAS		A5 ALLOCATE LINE A4 TO CORRECT DISTRICT(S)	A6/A7 ADD (+) / DEDUCT (-) ADJUSTMENTS	A8 TAXABLE AMOUNT A5 plus/minus A6/A7	A9 TAX RATE	A10 DISTRICT TAX DUE Multiply A8 by A9
CITY OF WILLITS (Mendocino Co.)	084				**.005**	$ .00
CITY OF POINT ARENA (Mendocino Co.)	085				**.005**	.00
CITY OF FORT BRAGG (Mendocino Co.)	094				**.005**	.00
CITY OF LOS BANOS (Merced Co.)	104				**.005**	.00
CITY OF SAND CITY (Monterey Co.)	105				**.005**	.00
NAPA CO.	065				**.005**	.00
*NEVADA CO.	067				**.00125**	.00
069 *TOWN OF TRUCKEE	068				**.005**	.00
ORANGE CO.	037				**.005**	.00
RIVERSIDE CO.	026				**.005**	.00
SACRAMENTO CO.	023				**.005**	.00
CITY OF SAN JUAN BAUTISTA (San Benito Co.)	106				**.0075**	.00
SAN BERNARDINO CO.	031				**.005**	.00
108 CITY OF MONTCLAIR	107				**.0025**	.00
SAN DIEGO CO.	013				**.005**	.00
110 CITY OF EL CAJON	109				**.005**	.00
*SAN FRANCISCO CO.	052				**.0125**	.00
SAN JOAQUIN CO.	038				**.005**	.00
112 CITY OF STOCKTON	111				**.0025**	.00
*SAN MATEO CO.	019				**.01**	.00
SANTA BARBARA CO.	030				**.005**	.00
*SANTA CLARA CO.	064				**.01**	.00
SANTA CRUZ CO.	062				**.0075**	.00
090 CITY OF SANTA CRUZ	089				**.0025**	.00
114 CITY OF CAPITOLA	113				**.0025**	.00
SOLANO CO.	066				**.00125**	.00
SONOMA CO. (Open Space Authority)	039				**.0025**	.00
116 SONOMA CO. (Transportation Authority)	115				**.0025**	.00
118 CITY OF SEBASTOPOL (Effective 4-1-05)	117				**.0025**	.00
120 CITY OF SANTA ROSA	119				**.0025**	.00
CITY OF SEBASTOPOL (Expired 3-31-05)	082	DISCONTINUED			**.00125**	.00
STANISLAUS CO.	059				**.00125**	.00
CITY OF VISALIA (Tulare Co.)	091				**.0025**	.00
CITY OF FARMERSVILLE (Tulare Co.)	121				**.005**	.00
CITY OF SONORA (Tuolumne Co.)	093				**.005**	.00
CITY OF WOODLAND (Yolo Co.)	075				**.005**	.00
CITY OF WEST SACRAMENTO (Yolo Co.)	081				**.005**	.00
CITY OF DAVIS (Yolo Co.)	088				**.005**	.00
A11(b)	TOTAL DISTRICT TAX (BACK) *Add Column A10. Enter here **and** on front of Schedule A, line A11(b).*					$ .00

*This district tax area includes more than one transactions and use tax district. (See Instructions 05-1 for Schedule A.)

CLEAR PRINT