

**Fiscal Year [2010-11]**

TITLE OF PROPOSAL

Ramp Down - 1% Sales and Use Tax Rate Increase

DIVISION PRIORITY NUMBER

PROGRAM IMPACTED

Sales and Use Tax Program

SUMMARY OF REQUEST *(including impact if request denied)*

This proposal requests \$871,000 in FY 2010-11 for costs associated with the ramp down of the temporary 1% Sales and Use Tax Rate Increase. This request includes \$420,000 for printing and mailing notices to over 850,000 taxpayers and \$451,000 to reprogram BOE computer systems.

BACKGROUND/HISTORY

The approved February 2009 Budget Act Package included authorization of a temporary 1% Sales and Use Tax Increase. This tax rate increase sunsets on June 30, 2011 because the voters did not approve the proposed Budget Stabilization Constitutional Amendment in a statewide election held on May 19, 2009. Under current law the statewide Sales and Use Tax is 8.25 percent. On July 1, 2011, the statewide Sales and Use Tax will revert to 7.25 percent.

STATE LEVEL CONSIDERATIONS *(including impact to other departments)*

This proposal is consistent with the BOE's mission to serve the public through fair, effective, and efficient tax administration. Specifically, this proposal allows the BOE to:

Be persistent in promoting and encouraging voluntary compliance with the tax laws.

Provide convenient, timely access to accurate information to taxpayers.

JUSTIFICATION *(including link to Strategic Plan)*

This request for one-time resources will ensure that (1) taxpayers receive timely notification and guidance to minimize any disruption to business operations and errors on returns; and (2) BOE's computer systems are reprogrammed to properly track and allocate Sales and Use Tax revenue.

**COSTS AND BENEFITS (BUDGET YEAR ONLY – FISCAL YEAR [2010-11])**

New funding     Continuation     Redirection

COST

\$ 871,000

REVENUE *(if applicable)*

\$ N/A

POSITIONS *(if applicable)*

N/A

COST SAVINGS *(if applicable)*

\$ N/A

**PREPARED AND APPROVED**

PREPARED BY

Larry Bergkamp

DIVISION CHIEF APPROVAL

AUTHOR'S TELEPHONE NUMBER

(916) 322-7281

DATE

6/29/09

**ACTION**

Concept Approved     Request Denied

EXECUTIVE DIRECTOR *(signature)*

