

**For Immediate Release**  
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**Contact: NR 83-08-G**  
**Anita Gore**  
**916-327-8988**

## **2008-2009 Budget Helps Address Sales and Use Tax Gap**

The California State Board of Equalization (BOE) announced today that the 2008-2009 state budget, recently signed by Governor Schwarzenegger, increases BOE resources for new programs designed to help close the \$2 billion sales and use tax gap.

The tax gap is the difference between taxes owed to the state and taxes paid. While some taxes go unpaid because of evasion, much is never reported because taxpayers are unaware of their liabilities. Through broad outreach, education and enforcement efforts, the BOE aims to improve compliance with tax laws and narrow the tax gap.

The BOE, through its Statewide Compliance and Outreach Program (SCOP), is sending teams of BOE specialists to visit businesses across the state to ensure they are properly registered and paying taxes. The goal of these visits is to increase tax compliance and to eliminate the unfair business advantage enjoyed by those not properly registered and reporting taxes and fees.

The BOE is also launching an education drive to inform Californians of their use tax obligation. Use tax, the companion to the sales tax, is due when Californians make purchases from out-of-state sellers for use, storage, or consumption in California. If an out-of-state seller does not collect and report California use tax, California taxpayers generally must pay the tax directly to the BOE.

The 2008-2009 budget also includes funds for enhancing the electronic services offered to BOE tax and fee payers for filing returns, making payments and registering their businesses. This expansion enables BOE to offer services that are faster, more cost-effective, and more convenient.

The budget also includes funding to increase revenue recovery and bolster voluntary compliance in the cigarette and tobacco products tax programs. The budget also continues the Agricultural Inspection Station Tax Leads partnership with the California Department of Food and Agriculture. This program identifies and investigates tax evasion and tax underpayment by businesses and consumers purchasing tangible personal property out-of-state and bringing it into California.

It is anticipated that these programs will generate \$121 million in state and local revenues.

In addition to the new resources for BOE programs, legislation enacted concurrently with the state budget amends from 90 days to 12 months the length of time any vehicle, vessel, or aircraft purchased outside of California must remain outside California to avoid California use tax. If a vehicle, vessel, or aircraft is brought into the state within 12 months of the date of its purchase, it is presumed to have been acquired for storage or use in California and therefore subject to tax. This change is anticipated to increase state and local tax revenues by over \$30 million annually.

Earlier this year, the BOE notified more than 440,000 retailers of a possible statewide sales tax rate increase proposed in an earlier version of the budget. However, the recently signed budget contains no provision for a sales tax rate increase.

The five-member California State Board of Equalization is a publicly elected tax board. The BOE collects more than \$53 billion annually in taxes and fees supporting state and local government services. It hears business tax appeals, acts as the appellate body for franchise and personal income tax appeals, and serves a significant role in the assessment and administration of property taxes.

For more information on the BOE programs, please visit:

- [Statewide Compliance and Outreach Program](#)
- [California Use Tax Information](#)
- [E-File Guide](#)

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