



State Board of Equalization

News Release

Michelle Steel, Member

3rd District – Rolling Hills Estates

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Michelle Steel Says Southern California's Taxable Sales Declined 5.1%
In Orange County, Taxable Sales in Santa Ana and Anaheim Dropped More Than 4 Percent

Michelle Steel, Third District Member of the State Board of Equalization (BOE), announced today that taxable sales in California decreased 2.7 percent in the third quarter of 2008, reflecting impacts of the national recession, which began in December 2007.

California's taxable sales totaled \$136 billion in the third quarter of 2008, down \$3.8 billion from the third quarter of 2007. This was the fifth straight quarter of declines in taxable sales, lasting longer than either of the recessions in 1991 or 2001. Income growth continued to be much stronger than taxable sales, a trend in evidence since early 2007.

The total taxable sales for the Third Equalization District declined 5.1 percent for the third quarter of 2008 from the same quarter the previous year. "This shocking drop, the biggest statewide, shows how hard the recession has impacted Southern California."

"Both Riverside County and San Bernardino County were at the epicenter of the subprime mortgage meltdown and the resulting spike in home foreclosures. The decline in taxable sales in these two counties was 7.9 percent and 8.4 percent, respectively," says Steel.

In Orange County, taxable sales for both Santa Ana and Anaheim dropped more than 4 percent. While in San Diego, there was a decline of 2 percent from the previous year.

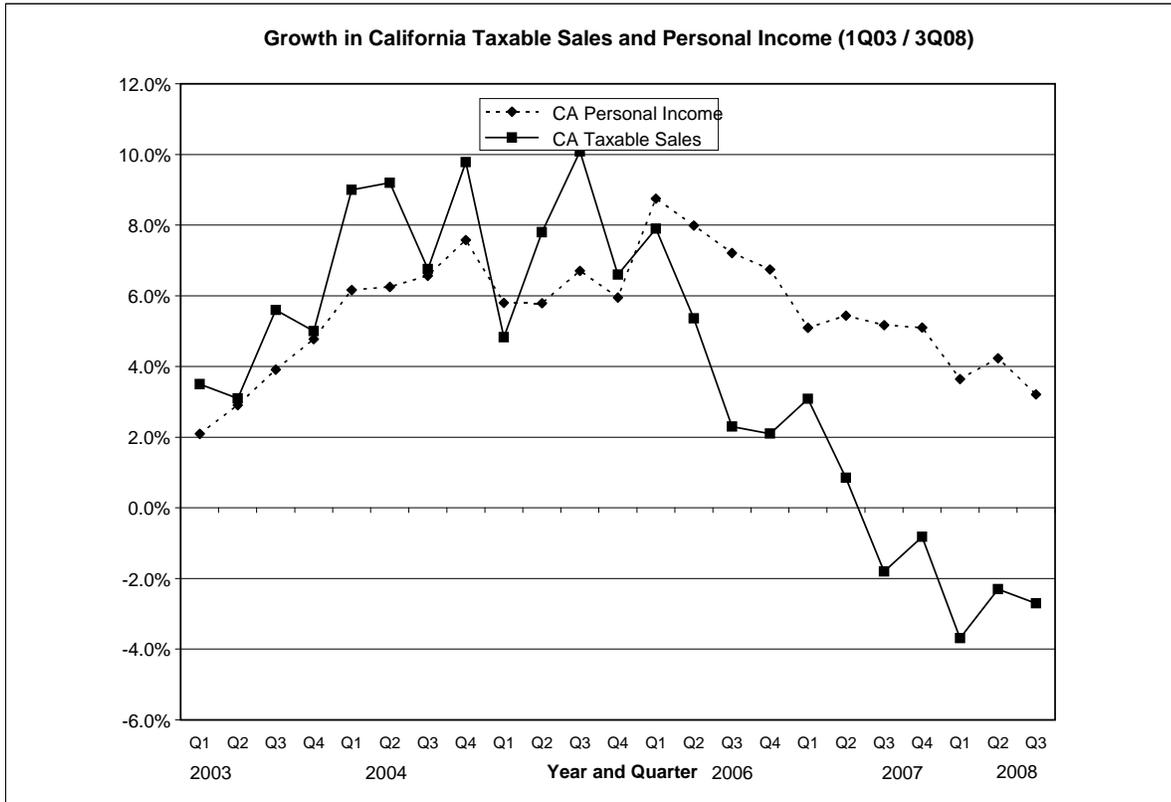
In constant dollar terms, taxable sales decreased by 7.5 percent over the same quarter a year ago. The California Taxable Sales Deflator measured an inflation rate of 5.1 percent for the third quarter of 2008. By comparison, the California CPI rose 4.4 percent. Record-high gas prices were largely responsible for the increase in the deflator.

The decline in the first three quarters constant-dollar taxable sales of 2008 have not been as steep since 1991. Constant-dollar taxable sales have decreased since the third quarter of 2007, which has not happened since 1993. While taxable sales declined 2.7 percent in the third quarter, income rose 3.0 percent. This is consistent with typical growth patterns during periods of economic weakness. Historical data show that quarterly taxable sales rose much less rapidly than incomes in the early 1980s, the early 1990s and early in this decade.

Editor's Note: Please see attached chart comparing California taxable sales and personal income from the first quarter of 2003 through the second quarter of 2008.

Taxable Sales in California is a quarterly report on retail sales activity in California, as measured by transactions subject to sales and use tax. It includes data about statewide taxable sales by type of business, as well as data about taxable sales in all California cities and counties from the first quarter of 2000 through the third quarter of 2008 and can be viewed on the BOE website at: www.boe.ca.gov/news/tsalescont.htm.

View all Taxable Sales in California for the 3rd Quarter of 2008 here: www.boe.ca.gov/news/tsalescont08.htm



Note: In early 2007 the California State Board of Equalization began a process of converting business codes of sales and use tax permit holders to North American Industry Classification System (NAICS) codes. Over one million permit holders will be converted over time from the previous business coding system to the NAICS codes. As a result of the coding change process, industry data for 2007 and 2008 are not comparable. Therefore, the BOE will not publish percentage changes by industry until the coding process has been substantially completed.

Elected to the Board of Equalization in 2006, Michelle Steel serves as Southern California’s elected taxpayer advocate. In 2008, Steel uncovered a \$42 million mistake in the agency’s sales tax refund procedures. The tax agency refunded tax security deposits to over 5,500 small businesses.

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.

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