

For Immediate Release
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Board of Equalization Announces Reduction in Sales Tax Payments to Local Governments

SACRAMENTO - The Board of Equalization (BOE) today announced 460 letters have been sent to local finance directors explaining that declining state sales tax revenues have caused a reduction in expected local allocations for their May 2009 advances. In addition, 13 jurisdictions received letters notifying them they will be receiving no May advance.

Current economic conditions have caused a continuing dramatic decline in taxable sales activity and sales tax revenues flowing into the State's coffers. One of the factors considered when determining the amount due a local jurisdiction in the May 2009 advance was cash receipts. Cash receipts for First Quarter 2009 were down dramatically below projections. The Department of Finance initially projected taxable sales for the first quarter of 2009 to be 7.4 percent lower than the first quarter of 2008. Actual cash receipts came in 18 percent lower.

BOE makes monthly allocations to 768 local jurisdictions based on a formula that includes historical allocations, growth factor adjustments to the base, transfers and audits, and actual cash receipts, when available timely. Erosion in the expected cash receipts led to the downward monthly adjustments to the allocations for May 2009.

The adjustments were necessary, according to the letter, "to avoid over-advancing tax dollars to a point that would impact payments in the future for your jurisdiction as well as those of your neighboring communities."

Not all local jurisdictions received a May 2009 allocation with an additional reduction, though a majority of the 768 total jurisdictions did. BOE anticipates similar adjustments will occur to the third and possibly the fourth quarter 2009 advances as well.

This is the second monthly allocation with an additional reduction. In February 2009 similar adjustments were made based on third and fourth quarter 2008 information. Prior to 2009, broad scale reductions statewide had not occurred.

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.

Attachments:

[Sample Letter](#)

[May 2009 Growth Factor Adjustments](#)

[May 2009 Growth Factor Cancellations](#)

[Historical Allocation Information](#)

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