



State Board of Equalization

# News Release

**Chairman Jerome E. Horton**

**4<sup>th</sup> District – Los Angeles**

Kristine Cazadd  
Interim Executive Director  
[www.boe.ca.gov](http://www.boe.ca.gov)

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**Contact:** NR 63-11-H  
**Anita Gore**  
**916-327-8988**

## **Statewide Sales and Use Tax Rate Set to Decrease by 1% July 1** *Legislature Could Act to Extend Current Rates*

Jerome E. Horton, Chairman of the Board of Equalization (BOE), announced that effective July 1, 2011, the statewide sales and use tax rate will decrease from 8.25 percent to 7.25 percent. In municipalities where there are voter-approved district taxes, the total tax rate related to sales and purchases will be the statewide base tax rate of 7.25 percent plus the applicable district tax. The Board of Equalization plans to send out 680,000 emails to California Retailers to notify them of this potential decrease in the sales tax rate. The information will be posted to the BOE website, [www.boe.ca.gov](http://www.boe.ca.gov), and letters will be mailed to the 1000 largest taxpayers. Retailers should check the BOE website for updates.

The sales tax increase originally went into effect April 1, 2009, increasing California base sales tax by 1% for a new total of 8.25%. In addition, certain cities and localities generally add an additional district tax of up to 2.0%, for a grand total not to exceed 10.25%, except in South Gate and Pico Rivera where the sales and use tax rate is 10.75%. The other areas of Los Angeles County have a sales and use tax rate of between 9.75% and 10.25%.

"Unless the Legislature extends the tax rate increase before July 1, 2011, California retailers should adjust their calculation of sales tax," said Horton. "That failure to adjust their computers and registers for the reduced rate, will result in excess taxes being collected from California consumers."

Part of a 2008-09 budget agreement, Assembly Bill x3 3 temporarily increased the General Fund portion of the sales and use tax rate by 1 percent in April of 2009, and will sunset on June 30, 2011. Governor Jerry Brown's revised 2010-11 budget plan, released May 16, relies in part on an extension of the 1 percent increase, but will not take effect unless the legislature approves it before July 1, 2011.

The BOE estimates that the 1% increase has generated nearly \$11 billion in new General Fund revenue. The sales and use tax rate in California currently ranges from 8.25 percent to 10.75 percent, depending on whether additional regional voter-approved sales taxes apply. Beginning July 1, 2011, the range will be 7.25 percent to 9.75 percent. According to the analysts at the Board of Equalization, if the Legislature fails to pass legislation that retains existing revenues, the state stands to lose \$4.5 billion in sales tax revenue over the next fiscal year.

The Governor's revised budget proposal assumes a total net increase of \$6.6 billion in new revenue - considerably higher than what was assumed in January. That projected windfall has fostered much

debate about whether or not the additional revenue is necessary. This net number is for all General Fund sources. The newly released budget documents indicate that the two-year changes for the “Big 3” taxes specifically, are as follows:

Personal Income Tax: Up \$8.7 billion  
Corporation Tax: Down \$2.9 billion  
Sales and Use Tax: Down \$0.1 billion

An analysis of the raw Franchise Tax Board (FTB) data indicates that much of that money comes from payroll withholding and estimated tax payments, suggesting that stronger than originally-forecasted economic growth, especially employment, is driving the increase in unanticipated revenues.

"Sales tax is an indicator of buyer's confidence and according to the Governor's proposed budget, the collection of Sales and Use Tax is down \$0.1 billion," said Horton, "emphasizing that these amounts are too unstable for anyone to accurately predict the future."

At the same time however, Horton says, California must decide what level of public service will be delivered and create a tax structure, including tax incentives that stimulate the economy, to assure the availability of the necessary funds to sustain the fair and efficient delivery of those services.

Elected in 2010, Chairman Jerome E. Horton is the Fourth District Member of the California State Board of Equalization, representing more than 8.5 million residents in Los Angeles County . He is also the Board of Equalization Legislative Committee chairman. He is the first to serve on the Board of Equalization with over 21 years of experience with the Board of Equalization. Horton previously served as an Assembly Member of the California State Assembly from 2000-2006.

The five-member California State Board of Equalization is a publicly elected tax board. The Board of Equalization collects more than \$48 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 other taxes and fees in California , visit [www.taxes.ca.gov](http://www.taxes.ca.gov).

Special Notice: <http://www.boe.ca.gov/news/pdf/1277.pdf>

California City and County Sales and Use Tax Rates: <http://www.boe.ca.gov/cgi-bin/rates.cgi>

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