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BOE Resolves to “Zap” and Trash Tax Evasion in 2014

News Conference Highlights Law to Curb Tax Evasion and Destruction of Contraband Tobacco Products

Moreno Valley, CA – The California State Board of Equalization (BOE) is demonstrating its collaborative and proactive statewide enforcement efforts against criminal tax evasion by destroying more than a half million dollars of confiscated cigarettes and tobacco products, and showing how unscrupulous businesses are using “zapper” software to illegally avoid paying sales tax, and often other point-of-sale fees. These demonstrations take place today, during a 1 p.m. news conference at the [Badlands Sanitary Landfill](#), 31125 Ironwood Avenue in Moreno Valley.

BOE investigators and partners, along with the Riverside County Waste Management Department, are destroying cigarettes and tobacco products from 143 seizures throughout Southern California. The retail value of the illegal product is more than \$600,000, which is a tax loss of approximately \$166,000 to state and local governments. Cigarette and tobacco products excise taxes fund cancer research, hospital, and early childhood programs at the state and county levels.

Also, BOE representatives will be joined by Riverside County District Attorney Paul Zellerbach to highlight a new law, effective January, 1, 2014, that makes it illegal to use, sell, or purchase “zapper” software. The software erases sales transactions, which enables users to avoid paying sales tax, and other point-of-sale fees collected on retail sales. Violators of this new law could be sentenced up to three years in the county jail, fined up to \$10,000, and be required to pay all illegally withheld taxes, including penalties and interest. Sales tax revenue funds state and local programs such as education, transportation, and public safety.

“The BOE’s 2014 New Year’s Resolution is to keep cracking down on the criminals who don’t pay their fair share,” said BOE Chairman Jerome E. Horton. “Not only do they deprive California citizens of important public services, but they put legitimate, hardworking California small business owners at a disadvantage.”

“Unfortunately, California’s high taxes and stringent regulations not only hurt our business climate, they also grow the size of our underground economy, hurting businesses that play by the rules,” said Board Member George Runner. “That’s why our partnership with local law enforcement to combat tax evasion is so important.”

“Through the use of ‘zappers,’ businesses are able to engage in unfair and illegal business practices, denying Riverside County its fair share of sale tax revenue,” said Riverside County District Attorney Paul Zellerbach. “By taking an aggressive approach to the investigation and prosecution of this type of unlawful conduct it will ‘level the playing field’ for all the legitimate businesses in Riverside County that sell this type of product and ensure that the county receives the appropriate amount of sales tax revenue.”

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“This destruction of seized cigarettes and tobacco products symbolize the essence of great law enforcement collaboration and teamwork by removing contraband tobacco products from the black market,” said Bureau of Alcohol, Tobacco, Firearms and Explosives Special Agent in Charge Joseph M. Riehl. “ATF and our partners remain committed to combating the unlawful possession and sales of tobacco products which is exhibited through the long standing investigative efforts of our tobacco task force.”

The BOE estimates “zappers” cost the state more than \$210 million each year in lost sales tax and other fee revenues. A [2007 BOE estimate](#) showed the annual excise tax loss from evasion for cigarettes is \$182 million, and \$94 million for other tobacco products, totaling \$276 million.

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The five-member California State Board of Equalization (BOE) is a publicly elected tax board. The BOE collects \$56 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.

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