



NEWS RELEASE

**STATE BOARD
OF EQUALIZATION**

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FOR IMMEDIATE RELEASE

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TAX INSPECTORS TO SEARCH FOR UNLICENSED RETAILERS

Board of Equalization Notifies Bay Area Businesses of Inspections

Bay Area businesses will soon receive letters from the State Board of Equalization (BOE) informing them of upcoming site inspections through a pilot program beginning this month. A new team of inspectors will focus on San Francisco and San Mateo Counties to make sure stores are properly registered with a seller's permit to collect and forward taxes to the State.

A seller's permit is necessary for a store to report and pay California sales tax to the state. The pilot program will improve compliance by identifying and registering retailers without permits, and will reduce the sales "tax gap" or the disparity between taxes owed and taxes paid. The recently signed 2006-2007 State Budget directed the BOE to pilot two separate inspection teams; the second will begin site inspections in the Los Angeles region in October.

"Reducing the sales tax gap is one objective of this new program," said Acting Board Member Betty T. Yee, who represents the San Francisco Bay Area.

"But the inspectors will also be there to eliminate the unfair advantage enjoyed by businesses that don't play by the rules. When such businesses operate without paying taxes or without the necessary permits, they undercut legitimate California retailers," said Yee.

More than 51,000 registered retailers do business in San Francisco and San Mateo Counties. BOE staff estimates that approximately 1,500 to 2,500 additional retailers operate locally without a permit or properly paying sales taxes. Sales taxes fund programs at the state, city and county level. *Editor's Note: See second page for a complete breakdown of sales tax funding in San Francisco and San Mateo Counties.*

Another objective of the pilot program is to increase taxpayer education, promote awareness of licensing and permit requirements, and encourage retailers to voluntarily comply with those tax laws. Retailers found selling taxable goods without a permit will be given an application and directed to register within one week. Unregistered business owners showing obvious intent to evade tax may receive a misdemeanor citation.

Inspectors will also look for other licenses required by the BOE, such as cigarette, tobacco, and motor fuel tax licenses. The pilot program is expected to generate up to \$25 million in revenue annually.

By providing advance notice to businesses of the upcoming inspections, the BOE plans to minimize the impact on registered retailers. The BOE also reminds businesses that seller's permits must be prominently displayed at their establishment, and encourages any unregistered businesses to contact the BOE and apply for a seller's permit immediately.

Applications for all BOE issued permits and licenses are available

- online at www.boe.ca.gov
- from the BOE Information Center at 800-400-7115
- at the BOE San Francisco District Office, located at 121 Spear Street, Suite 460

Acting Board Member Betty T. Yee, of San Francisco, assumed the First District seat on the Board of Equalization in 2004.

The five-member Board of Equalization is a publicly elected tax board. The Board collects almost \$50 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 plays a significant role in the assessment and administration of property taxes.

Other Board Members include Bill Leonard of Sacramento/Ontario, Second District; Claude Parrish of Long Beach, Third District; Chairman John Chiang of Los Angeles, Fourth District; and State Controller Steve Westly.

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In 2004, shoppers spent **\$12.2 billion** on taxable goods in **San Francisco**, where for every \$100.00 of sales tax paid,

- \$ **8.82** goes to fund City/County services
- \$ **5.88** goes to fund BART
- \$ **8.82** goes to additional SF transit funding
- \$ **2.94** goes to other SF public programs (drug abuse & crime prevention, health care, public education)
- \$**58.83** goes to the State's General Fund
- \$ **2.94** goes to repay State issued bonds
- \$**11.77** goes to other State-disbursed local funding (health and public safety)

In 2004, shoppers spent **\$11.8 billion** on taxable goods in **San Mateo County**, where for every \$100.00 of sales tax paid,

- \$ **9.09** goes to fund City/County services
- \$**15.15** goes to County transportation funding
- \$**60.61** goes to the State's General Fund
- \$ **3.03** goes to repay State issued bonds
- \$**12.12** goes to other State-disbursed local funding (health and public safety)