CALIFORNIA STATE
BOARD OF EQUALIZATION

ANNUAL REPORT
FY 2014-15

SUPPORTING OUR COMMUNITIES

Funding a Better Quality of Life

LETTER FROM THE EXECUTIVE DIRECTOR

The Board of Equalization (BOE) does more than administer taxes and receive fees. We support our communities.

In fiscal year 2014-15, the BOE supported our state, cities, counties, and special tax districts with money that funds programs including public safety, natural resource management, transportation and housing, social welfare, health care services, schools and colleges.

We received $60.5 billion, or more than 30 percent of all state revenue, for the fiscal year and did so efficiently and effectively. Our total costs for all operations was $595 million—only 98 cents for every $100 of revenue collected.

The BOE is proud to contribute to the prosperity of California.

Yours in public service,

Cynthia Bridges
Executive Director

BOARD MEMBERS

Betty T. Yee
State Controller

Fiona Ma, CPA
Second District

Jerome E. Horton
Chairman
Third District

Diane L. Harkey
Fourth District

Sen. George Runner (Ret.)
Vice Chair
First District

The BOE is unique, holding the distinction of being the only elected tax board in the United States.

Composed of five Board Members, the BOE administers more than 30 tax and fee programs that produce revenue essential to our state. Additionally, the Board hears appeals from various business tax assessments, Franchise Tax Board actions, and public utility assessments. The BOE serves a significant role in the assessment and administration of property taxes by issuing rules and regulations, establishing the tax values of railroads and specified privately-held public utilities, and overseeing the assessment practices of the state's 58 county assessors.

The newly elected Board Members took office in January 2015 as the Redistricting Project concluded. The California Citizens Redistricting Commission redrew the boundaries of the districts, which included reallocation of accounts both within and across equalization and administrative lines. Each of the four Board Members now represents approximately 9.5 million constituents.

Public Board meetings offer taxpayers and other interested parties the opportunity to participate in the formulation of rules and regulations adopted by the Board and to interact with the Members as they carry out their official duties. The Board meets monthly.

STRENGTHENING CALIFORNIA TOGETHER

We are committed to strengthening California communities. We partner with businesses, large and small, to improve our roads and our schools, to invest in law enforcement and our environment, and to provide access to other critical services. The BOE received and distributed $60.5 billion in fiscal year (FY) 2014-15, revenue vital to maintaining the economic health of our state.

We accomplish this by:

- Interpreting and applying tax and fee laws correctly, consistently, and fairly.
- Receiving and allocating revenues as required by law.
- Assessing and allocating state-assessed property values as required by law.
- Educating and assisting taxpayers and feepayers to comply voluntarily, while minimizing their compliance burden.
- Providing high-quality customer service using well-qualified staff.
- Achieving program objectives at the lowest possible cost.

As you drive down our roads, enjoy our parks, or seek help from law enforcement, remember that your experiences are possible because of the revenue the BOE receives and distributes from your contributions.

HIGHLIGHTING OUR ACCOMPLISHMENTS

We at the BOE are focused on providing tools to our customers that make complying with tax obligations as simple and convenient as possible. To accomplish this, we continue to expand our convenient online services, taxpayer education, and transparency.

What follows are a few of our accomplishments in FY 2014-15.

Managed Audits for Special Tax and Fee Programs. The Managed Audit Program (MAP) expanded to include most special tax and fee programs. Under the MAP, a taxpayer or feepayer performs much of the audit work themselves by following instruction and guidance from BOE audit staff. The advantage to a taxpayer or feepayer participating in the MAP is a reduced interest rate if the audit determines that additional taxes or fees are owed.

Automated License Renewal Phase II. International Fuel Tax Agreement (IFTA) and alternative fuel taxpayers now have the capability to complete their annual license renewal and payments using the BOE's online services. IFTA taxpayers may also request additional decals online for new vehicles added to their fleets.

New Web-Based Processing System for IFTA Carriers. The new online IFTA processing system allows IFTA carriers to view their account information, file returns, and pay taxes online. Six states (California, Connecticut, Kentucky, Maryland, Michigan, and New Hampshire) share the state-of-the-art IFTA Processing Consortium (IPC) offering California IFTA carriers more access, information, and control over their accounts and encouraging voluntary compliance.

Did you know the BOE's operations contributed more than 30 percent of all state revenue?

Automated Refund Claims for Fire Fee and Diesel Fuel Tax Programs. During FY 2014-15, the BOE automated the processing of refund claims for the Fire Prevention Fee and the Diesel Fuel Tax programs. Automating this process increased our efficiency and helped provide refunds more quickly to BOE customers. Under the new system, the State Controller's Office can issue a refund to feepayers within three days of submission, compared to three weeks under the manual process.

Electronic Exchange of Lien Recording Information. The BOE added eight additional counties to our electronic lien recording network system in April 2015. This system allows electronic exchange of information between the BOE and the county recorder's offices for the purpose of filing, extension, and release of tax liens. The new process improves customer service, and saves staff time and paper.

Special Taxes and Fees Internet Changes. The BOE standardized 14 FAQ pages to include general information for each special tax or fee program. Each revised FAQ page includes specific information concerning registration, collection, reporting, and payment requirements for tax/fee program registrants.

New Property Tax Guidance. The BOE added new webpages providing information to taxpayers and county assessors regarding BOE's Assessment Practices Survey program and the property tax provisions for solar properties. In addition, the BOE adopted a revised Assessment Appeal application for use in all 58 counties within the state. Approximately 150,000 California taxpayers use this online form annually to appeal the assessed values of their properties.

Taxpayer Education Videos. Multiple educational videos were uploaded to the BOE website in FY 2014-15. These videos inform the public about online services available to taxpayers and feepayers and include registration, returns, payments, taxpayer rights, appeal hearings, and our data portal, OPEN BOE. Taxpayers can also offer feedback about their interactions with the agency.

Industry and Tax and Fee Guides. The BOE added six new industry guides for a total of 23 free online, quick reference guides that help businesses within specific industries to voluntarily comply with their obligations.

Tax Recovery and Criminal Enforcement (TRaCE) Task Force. As a member of the multi-agency TRaCE Task Force, the BOE launched the TRaCE website in October 2014. The website provides information about the underground economy and how it impacts all Californians; speaks to the enforcement role of the TRaCE Task Force; and provides for a means by which anyone can report, via the web or mobile device, crimes related to criminal tax evasion, labor violations, human trafficking, counterfeiting, piracy, and other economic crimes. This "Report a Crime Online" central intake feature (launched December 2014) enables the Task Force to electronically receive, manage or triage select complaints to partner agencies in a more efficient and expeditious manner.

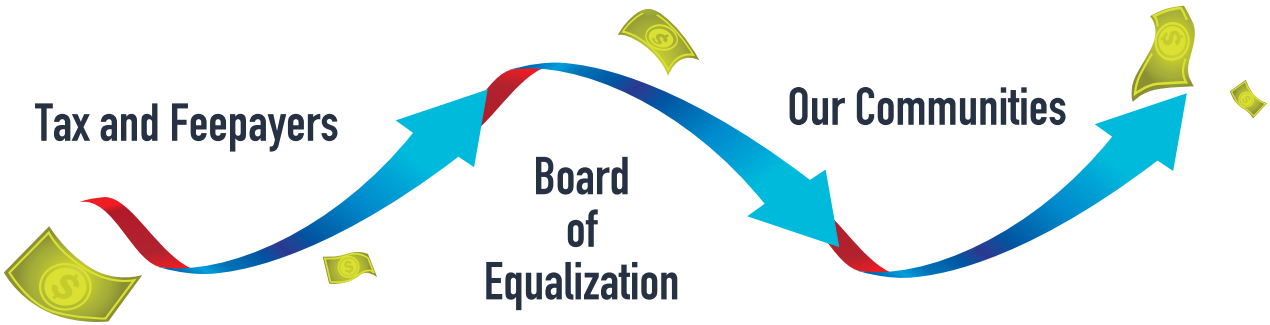
The mission of TRaCE is to combat organized elements of the underground economy engaged in the manufacture, importation, distribution, and sale of pirated intellectual property, and other economic crimes resulting in the evasion of business, payroll and/or income taxes. In FY 2014-15, the BOE received 179 complaints through the central intake system resulting in 9 complaints triaged to outside agencies, 53 search warrants served, and 12 arrests made.

OPEN BOE. The Open Data Portal on BOE's website received the *Best Application Serving the Public* award from the Center for Digital Government at the 2015 California Technology Forum. This award recognizes the design or improvement of an application that more effectively delivers services to the public. OPEN BOE allows the public to view statistical data about BOE's tax and fee programs in user-friendly, interactive, and customized formats. Data can be downloaded, sorted, filtered, exported, charted, and managed to create custom views. New additions to the portal include historical data for taxable sales by county and separate datasets for gasoline and jet fuel sales.

CONTRIBUTING TO OUR QUALITY OF LIFE

The BOE receives more than 30 percent of state revenues, benefiting our communities and funding hundreds of state and local government programs and services, including:

- Natural Resource Management
- Social Services Programs
- Hospital and Health Care Services
- Transportation and Housing
- Public Safety Programs



FIREFIGHTER

REINVESTING IN OUR COMMUNITIES

The BOE received more than $60.5 billion for California, an increase of 5.5 percent from $57.3 billion in FY 2013-14*.

*In FY 2013-14, we included Insurance Tax revenue in BOE-administered revenue. Since the BOE is not involved in collecting Insurance Tax revenues, we decided to exclude it from the FY 2014-15 Annual Report and restated FY 2013-14 BOE-administered revenue.

SUMMARY OF REVENUES

Tax/Fee	2014-15	Yr-to-Yr Change	2013-14
Alcoholic Beverage Taxes	**$357,390,000**	**0.9%**	**$354,315,000**
Cigarette and Tobacco Products Taxes and Licensing Fees	**837,444,000**	**-0.3%**	**839,712,000**
Energy Resources Surcharge	**73,457,000**	**2.0%**	**72,033,000**
Environmental Taxes and Fees:	**676,194,000**	**-8.5%**	**738,835,000**
California Tire Fee	56,365,000	6.4%	52,994,000
Childhood Lead Poisoning Prevention Fee	20,564,000	-5.6%	21,794,000
Electronic Waste Recycling Fee	59,376,000	3.1%	57,615,000
Fire Prevention Fee	81,860,000	-43.0%	143,500,000
Hazardous Substances Taxes and Fees	85,265,000	8.5%	78,553,000
Integrated Waste Management Fee	44,602,000	3.1%	43,276,000
Marine Invasive Species Fee	4,319,000	2.7%	4,205,000
Occupational Lead Poisoning Prevention Fee	3,266,000	6.9%	3,057,000
Oil Spill Prevention and Administration Fee	42,140,000	35.7%	31,057,000
Underground Storage Tank Maintenance Fee	262,973,000	-9.1%	289,197,000
Water Rights Fee	15,463,000	13.8%	13,589,000
Fuel Taxes and Fees	**5,745,044,000**	**-6.2%**	**6,122,710,000**
Natural Gas Surcharge	**550,925,000**	**2.1%**	**539,741,000**
Property Taxes:	**18,519,000**	**5.0%**	**17,642,000**
Private Railroad Car Tax	8,925,000	4.6%	8,529,000
Timber Yield Tax	9,594,000	5.3%	9,113,000
Sales and Use Taxes and Fees:	**52,069,235,000**	**7.4%**	**48,487,497,000**
Retail Sales Tax	**50,600,175,000**	**5.4%**	**48,006,801,000**
City and County Taxes	4,747,161,000	2.3%	4,639,502,000
County Transportation Tax	1,586,038,000	4.0%	1,524,349,000
Fees	12,763,000	-6.7%	13,684,000
Fiscal Recovery Fund Sales Tax	1,583,880,000	3.4%	1,531,735,000
Local Revenue Fund 2011	6,210,057,000	5.5%	5,884,731,000
Local Revenue Fund State Sales Tax	3,179,652,000	2.5%	3,102,388,000
Public Safety Fund Sales Tax	3,179,652,000	2.5%	3,102,391,000
Special District Taxes	5,823,144,000	2.6%	5,676,806,000
State Taxes	24,277,827,000	7.8%	22,531,214,000
Medi-Cal Managed Care Plans Sales Tax	**1,469,060,000**	**205.6%**	**480,697,000**
Emergency Telephone Users Surcharge	**97,665,000**	**14.6%**	**85,224,000**
Lumber Products Assessment	**35,366,000**	**-0.2%**	**35,441,000**
Total BOE Revenues	**$60,461,238,000**	**5.5%**	**$57,293,150,000**

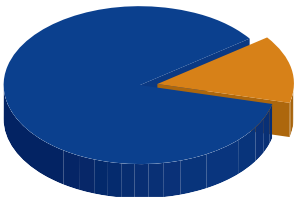
For expanded annual data, please see Statistical Table 2 at *www.boe.ca.gov (Modified accrual basis of accounting.)*

*Beginning in FY 2014-15 we will no longer include the Local Taxes on State-Assessed Properties in our Summary of Revenues Table. The local governments are responsible for collecting Local Taxes on State-Assessed Properties.

FUNDING THE PRESENT AND THE FUTURE

The revenue we receive and distribute is crucial to maintaining state and local government programs that benefit our communities today and in the future. In FY 2014-15, we received $60.5 billion in revenue, an increase of $3.2 billion from what was collected in FY 2013-14. For more details on revenue received by the BOE, please see Statistical Tables 1-37B on our website, *www.boe.ca.gov*.

FY 2014-15 TOTAL BOE REVENUES*

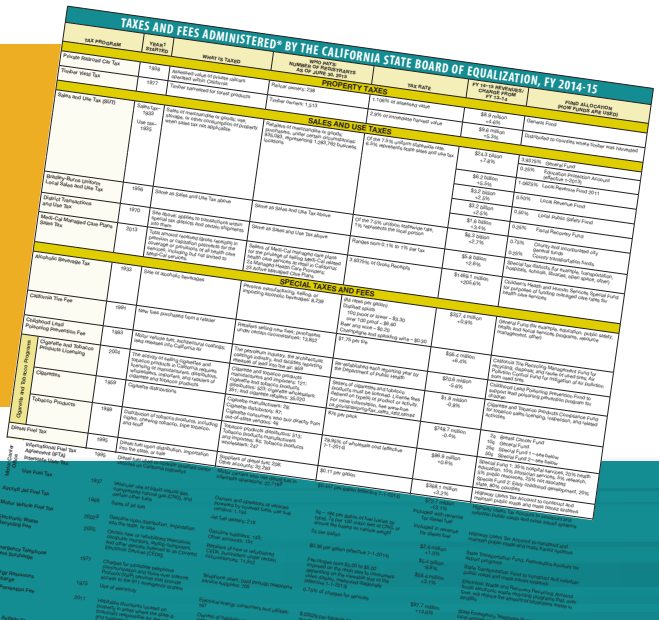


	Billions of Dollars in FY 2014-15	Change from FY 2013-14
Sales and Use Tax	$52.1	7.4%
Other Taxes and Fees	$8.4	-4.7%
Total	$60.5	5.5%

**Detail may not add up to total due to rounding.*

Taxes and Fees Administered by the California State Board of Equalization, FY 2014-15, (publication 41), accompanies this report and lists all BOE tax and fee programs along with revenues in a convenient chart.

The entire *BOE Annual Report* including publication 41, plus more than 40 detailed statistical tables are available online at *www.boe.ca.gov.*


TAXES AND FEES ADMINISTERED* BY THE CALIFORNIA STATE BOARD OF EQUALIZATION, FY 2014-15

Sales and Use Tax Revenues

California retail sales and use tax revenue totaled $52.1 billion in FY 2014-15, an increase of 7.4 percent from the $48.5 billion total in FY 2013-14.

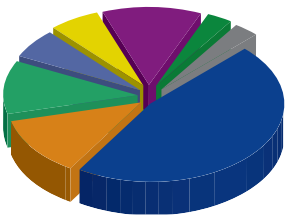
We believe in enforcing a level playing field for businesses throughout the state. Use tax creates fairness between businesses that pay tax on sales made in California and out-of-state businesses which, without the use tax, would have the advantage of selling the same products to California consumers without any taxes due. The BOE continues its outreach efforts to educate the public about use tax on purchases made out of state.

As of June 30, 2015, BOE had 935,083 sales and use tax permits representing 1,283,762 business locations.

We work closely with other state and federal agencies to administer the use tax due on nondealer sales of vehicles, vessels, aircraft, and mobile homes. In FY 2014-15, revenues totaled $602 million, including:

- $565 million collected by the Department of Motor Vehicles (DMV)
- $34 million collected by the BOE
- $3 million collected by the Department of Housing and Community Development (HCD)

FY 2014-15 SALES AND USE TAX REVENUES*



	Billions of Dollars in FY 2014-15	FY 2013-14	Change from FY 2013-14
State General Fund	$24.3	$22.5	7.8%
Bradley-Burns	$6.3	$6.2	2.7%
Special Districts	$5.8	$5.7	2.6%
Local Revenue	$3.2	$3.1	2.5%
Local Public Safety	$3.2	$3.1	2.5%
Local Revenue 2011	$6.2	$5.9	5.5%
Fiscal Recovery Fund	$1.6	$1.5	3.4%
Medi-Cal Managed Care Plans	$1.5	$0.5	205.6%
Total	$52.1	$48.5	7.4%

**Detail may not add up to total due to rounding.*

Property Tax Revenues

The BOE oversees the assessment practices of the state's 58 county assessors, who are charged with establishing values for approximately 13 million assessments each year. Property taxes raised nearly $55.5 billion for local governments during FY 2014-15, an increase of 6.1 percent from the previous year's total of $52.3 billion. County-assessed property values rose $290 billion during 2014 to reach $5.1 trillion for the 2015-16 roll year.

In 2015, the BOE set the values of state-assessed properties, primarily privately-owned public utilities and railroads, at $99.5 billion for the 2015 roll. This was a $6.2 billion increase from 2014-15 values.

Property taxes raised nearly $55.5 billion for local governments during FY 2014-15.

General Property Taxes

The BOE assesses some public utility and other specified properties. Revenues allocated to California counties produced an estimated $1.1 billion in local property tax revenues for the state's 58 counties in FY 2014-15.

The BOE develops property tax assessment policies and informational materials to guide county assessors and local assessment appeals boards. In FY 2014-15, we issued 11 Assessment Practices Survey reports of local assessor's offices. We also provided a number of services to the county assessors and the public including issuing 105 letters to the assessors, reviewing 2,532 exemption certificate claims, and issuing 1,066 property tax exemption certificates. Our Legal Entity Ownership Program discovered 1,494 changes in control and ownership, resulting in the reassessment of 12,004 parcels owned by the entities.

County-assessed property values for the 2015 roll increased 6.0 percent from the previous year. This follows a 6.2 percent increase for 2014-15. This increase in growth is the result of an improving economy, rising home prices, and additional construction.

Private Railroad Car Tax

Private railcar owners pay the private railroad car tax on railcars operated in California. For 2015-16, the Board-adopted assessed value for private railroad cars totaled $866 million. The total assessed value reflects the application of a 74.1 percent assessment ratio as required by the Federal Railroad Revitalization and Regulatory Reform Act. The estimated private railroad car tax revenue for the state's General Fund during FY 2015-16 is $9.9 million.

Timber Yield Tax

Timber owners pay the 2.9 percent timber yield tax based on the immediate harvest value of trees harvested for wood products. Revenues are returned to the counties where the timber was harvested. Calendar year 2014 revenues totaled $9.9 million.

Timber harvest volume decreased from 1.6 billion board feet in 2013 to 1.5 billion board feet in 2014. The total value of the year's harvest increased to $322 million. The number of registered timber owners increased from 1,387 active program registrants at the end of June 2014 to 1,513 active program registrants as of June 30, 2015. Thirty timber owners paid approximately 77 percent of the tax received in 2014.

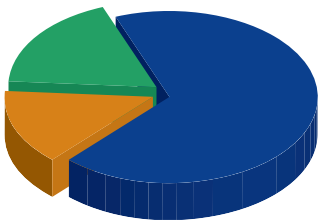
Special Taxes and Fees Revenues

In cooperation with other state agencies, we administer many of California's special tax and fee programs. These programs fund efforts to protect our pristine beaches, majestic coastlines, and stately forests. Revenues from the insurance tax, the alcoholic beverage tax, and a portion of the cigarette tax receipts are allocated to the General Fund to support public safety and health and social services programs. Other special taxes and fees fund specific state services from highway construction to recycling programs.

In FY 2014-15, BOE special tax and fee program revenues totaled $8.4 billion, a decrease of 4.7 percent from FY 2013-14. Of the $8.4 billion total revenue received through the special tax and fee programs, fuel taxes totaled $5.7 billion, while alcohol and tobacco taxes totaled approximately $1.2 billion.

230,316 special tax and fee program returns were filed with the BOE in FY 2014-15.

FY 2014-15 SPECIAL TAXES AND FEES REVENUES*



	Billions of Dollars in FY 2014-15	Change from FY 2013-14
Fuel Taxes	$5.7	-6.2%
Alcohol and Tobacco	$1.2	0.1%
Other Special Taxes**	$1.5	-2.4%
Total	$8.4	-4.7%

**Detail may not add up to total due to rounding.*

***In FY 2013-14, we included Insurance Tax revenue in BOE-administered revenue. Since the BOE is not involved in collecting Insurance Tax revenues, we decided to exclude it from the FY 2014-15 Annual Report and restated FY 2013-14 BOE-adminstered revenue.*

For more detailed information about any of our tax and fee programs, please see publication 41, *Taxes and Fees Administered by the California State Board of Equalization FY 2014-15.* It can be found at *www.boe.ca.gov.*

SUPPORTING OUR COMMUNITIES

In partnership with other state and local agencies, the BOE helps to protect our natural resources, maintain our roads and highways, promote public safety, support social services programs, and provide health care services. Together, we are supporting our communities.

PROTECTING THE ENVIRONMENT

Natural resource management programs protect and restore our state's diverse natural resources for current and future generations. These programs include our state parks, impressive coastlines and lakes, spectacular forests, vast fish and wildlife habitats, rich farmlands, and mineral resources.

Programs funding these environmental endeavors include:

• California Tire Fee	$ 56.4
• Electronic Waste Recycling Fee	$ 59.4
• Energy Resources Surcharge	$ 73.5
• Fire Prevention Fee	$ 81.9
• Hazardous Substances Taxes and Fees	$ 85.3
• Integrated Waste Management Fee	$ 44.6
• Lumber Products Assessment Fee	$ 35.4
• Marine Invasive Species Fee	$ 4.3
• Oil Spill Prevention and Administration Fee	$ 42.1
• Timber Yield Tax	$ 9.6
• Underground Storage Tank Maintenance Fee	$ 263.0
• Water Rights Fee	$ 15.5

Dollar figures expressed in millions.

HELPING SOCIAL SERVICES PROGRAMS

Social and human services programs provide essential medical and dental services, and provide access to critical care programs promoting health, well-being, and the ability to function in society.

Programs funding these activities include:

- Alcoholic Beverage Tax*
  $ 357.4
- Childhood Lead Poisoning Prevention Fee
  $ 20.6
- Medi-Cal Managed Care Plans Sales Tax
  $ 1,469.1
- Cigarette and Tobacco Products Licensing Program
  $ 1.8
- Cigarette and Tobacco Tax Program
  $ 835.6
- Natural Gas Surcharge
  $ 550.9
- Occupational Lead Poisoning Prevention Fee
  $ 3.3
- Private Railroad Car Tax*
  $ 8.9

**Funds are distributed to the General Fund and allocated for use by the Governor and Legislature. This is an example of how these funds may be used.*

MEETING TRANSPORTATION NEEDS

Transportation programs create, maintain, and strengthen our public roads and freeways, airports, seaports, and mass transit systems throughout California.

Programs funding these transit needs include:

- Aircraft Jet Fuel Tax
  $ 2.6
- Bradley-Burns County Transportation Tax
  $ 1,586.0
- Diesel Fuel Tax
  $ 368.1
  (includes revenue from the International Fuel Tax Agreement [IFTA] and Interstate User Tax)
- Motor Vehicle Fuel Tax (Gasoline)
  $ 5,374.3

SUPPORTING PUBLIC SAFETY SERVICES

Public safety programs place law enforcement officers on our streets and highways, in our towns and in our cities, prevent crime, and provide emergency services such as 911.

Programs funding these public safety activities include:

- Bradley-Burns City and County Local Sales and Use Tax**
  $ 4,747.2
- Emergency Telephone Users Surcharge
  $ 97.7

Dollar figures expressed in millions.

***Funds are distributed to the city or county general fund. This is an example of how these funds may be used.*

FUNDING FOR LOCAL GOVERNMENTS

The BOE receives and allocates the one percent Bradley-Burns Uniform Local Sales and Use Tax for all California cities and counties. For each sale, 0.25 percent of the local tax collected funded local transportation projects in the county and the remaining 0.75 percent of the local tax was allocated to the county or an unincorporated city, depending on the place of sale.

Below is a sampling of counties and cities throughout California and the money distributed to them by the BOE.

Alameda County Total	**$285,623,212**
City of Oakland	36,126,859
Calaveras County Total	**$3,383,799**
City of Angels Camp	568,254
Contra Costa County Total	**$151,216,832**
City of Concord	22,490,237
Fresno County Total	**$134,407,894**
City of Fresno	58,736,464
Lake County Total	**$5,364,797**
City of Clearlake	1,075,758
Los Angeles County Total	**$1,488,021,191**
City of Los Angeles	370,563,219
Mendocino County Total	**$13,651,854**
City of Ukiah	3,350,910
Orange County Total	**$601,542,405**
City of Anaheim	52,501,755
Placer County Total	**$82,223,941**
City of Roseville	35,893,922
Plumas County Total	**$1,982,884**
City of Portola	166,995
Riverside County Total	**$323,714,549**
City of Riverside	42,955,732
San Diego County Total	**$532,733,176**
City of San Diego	190,909,475
Yuba County Total	**$5,019,002**
City of Marysville	1,453,907
Shasta County Total	**$28,207,595**
City of Redding	16,217,756
San Bernardino County Total	**336,430,633**
City of Ontario	56,787,366
Santa Barbara County Total	**$66,898,318**
City of Santa Barbara	16,131,119
Sacramento County Total	**$212,558,984**
City of Sacramento	51,079,090
Santa Clara County Total	**$400,812,667**
City of San Jose	131,926,442

For more details on your city or county, please see Statistical Tables 21A-21C on our website.

Del Norte
Siskiyou
Modoc
Shasta
Lassen
Trinity
Humboldt
Tehama
Plumas
Mendocino
Glenn
Butte
Sierra
Nevada
Yuba
Lake
Colusa
Sutter
Placer
Yolo
El Dorado
Sonoma
Napa
Sacramento
Alpine
Amador
Calaveras
Solano
Marin
San Joaquin
Tuolumne
Contra Costa
Mono
San Francisco
Alameda
Stanislaus
Mariposa
San Mateo
Santa Clara
Merced
Madera
Santa Cruz
Fresno
Inyo
San Benito
Monterey
Tulare
Kings
San Luis Obispo
Kern
San Bernardino
Santa Barbara
Ventura
Los Angeles
Orange
Riverside
San Diego
Imperial

REACHING OUT TO OUR BUSINESS PARTNERS

We work with businesses to ensure they pay no more and no less than they should.

We emphasize accurate and complete recordkeeping.

We help businesses stay informed with the latest information about our tax and fee programs.

Our goal is to educate businesses so they can thrive and succeed.

We offer a variety of resources and assistance.

Telephone and In-Person Services

- **Customer Service Center: 1-800-400-7115 or TTY:711**

  We provide customized assistance through our Customer Service Center. Our representatives are available to assist with general tax assistance from 8:00 a.m. to 5:00 p.m. (Pacific time), except state holidays.

In FY 2014-15, the Customer Service Center answered approximately 598,000 calls.

- **Classes, Seminars, and Presentations**

  Keeping up with changing tax laws can be challenging for any business. The BOE offers in-person training to help you stay informed.

  In FY 2014-15, we offered:

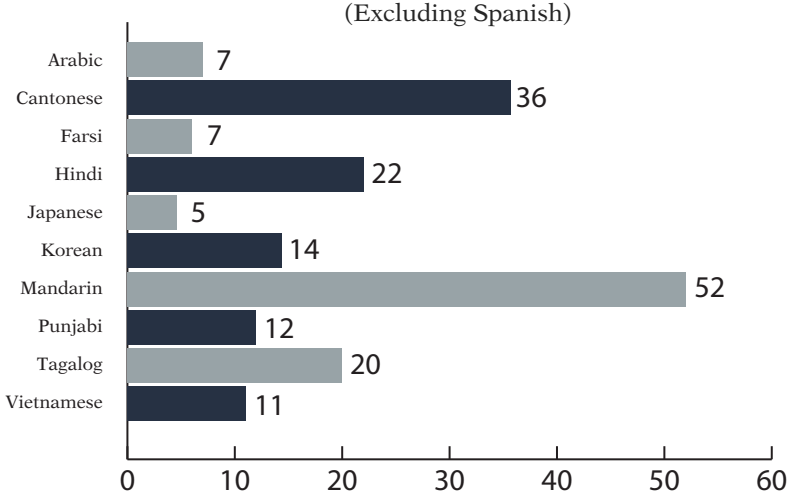
  - ➢ 81 Basic Sales and Use Tax Classes - English
  - ➢ 23 Translated Basic Sales and Use Tax Classes
  - ➢ 15 Tax Return Preparation Classes
  - ➢ 73 Electronic Return Filing Classes (online)
  - ➢ 21 District Small Business Fairs
  - ➢ 40 Small Business Seminars
  - ➢ 12 Nonprofit and Exempt Organization Seminars
  - ➢ 10 Volunteer Income Tax Assistance (VITA) Events
  - ➢ 10 Cigarette and Tobacco Retailer Sales Classes
  - ➢ 12 Telephone Townhalls and Webinars

- **Interpreter Services**

  The BOE provides interpreter services at our offices and Board hearings when requested. We have 561 interpreters fluent in 41 languages and dialects, including American Sign Language.

  We also have more than 300 translators fluent in Spanish. This chart shows a sample of the available BOE translators.

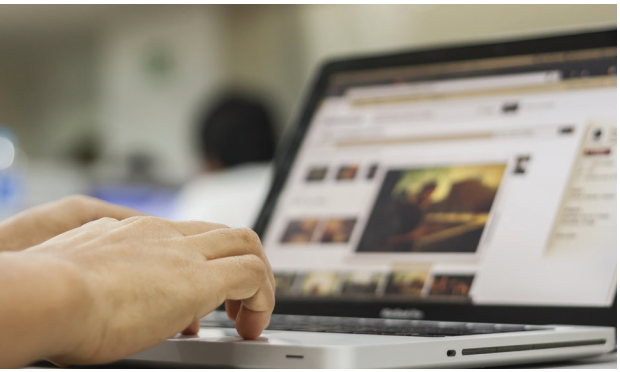
Available BOE Translators
(Excluding Spanish)



Online Services

- **Online Services Enhancements**

  The BOE enhanced its online registration, filing, and permit applications. To aid taxpayers in better describing their business operations, the BOE added additional key words to its registration functions. The online filing confirmation page was condensed to only consist of either one or two pages as opposed to multiple pages. Lastly, the BOE now provides an Adobe option, which allows taxpayers to more easily print their seller's permit at their convenience.



- **Online Services Survey Feedback**

  The online services survey allows users to provide valuable feedback about customer satisfaction. When asked how users would rate the online services, more than 65 percent marked "excellent" and more than 24 percent marked "good." This indicates an overall 90 percent favorable response.

Taxpayers' Rights Advocate Assistance

The Taxpayers' Rights Advocate (TRA) is responsible for resolving taxpayer complaints or problems when normal channels do not work. In FY 2014-15, the TRA helped 784 business owners and individuals resolve their issues. More information about the TRA's 2014-15 accomplishments, issues the TRA Office is working to resolve, and examples of cases illustrating services provided by the TRA Office can be found in the *Taxpayers' Rights Advocate's Property and Business Taxes Annual Report,* available on our website. Also available on the TRA page is helpful information on taxpayer rights, how to contact the Advocate, and the Taxpayers' Bill of Rights hearings.

- **Legal Assistance through the Tax Appeals Assistance Program**

  The Tax Appeals Assistance Program (TAAP), managed by the TRA, makes available free legal assistance from law students to low-income individuals with certain types of income tax, consumer use tax, and sales and use tax responsible person appeals of less than $20,000. Legal assistance is also available for appeals of Cigarette and Tobacco Products Licensing Act violations.

  In FY 2014-15, TAAP:

  - Informed 992 individuals that they may qualify for the program,
  - Accepted 284 cases into the program, and
  - Resolved 360 cases.

ENCOURAGING VOLUNTARY COMPLIANCE

Statewide Compliance and Outreach Program

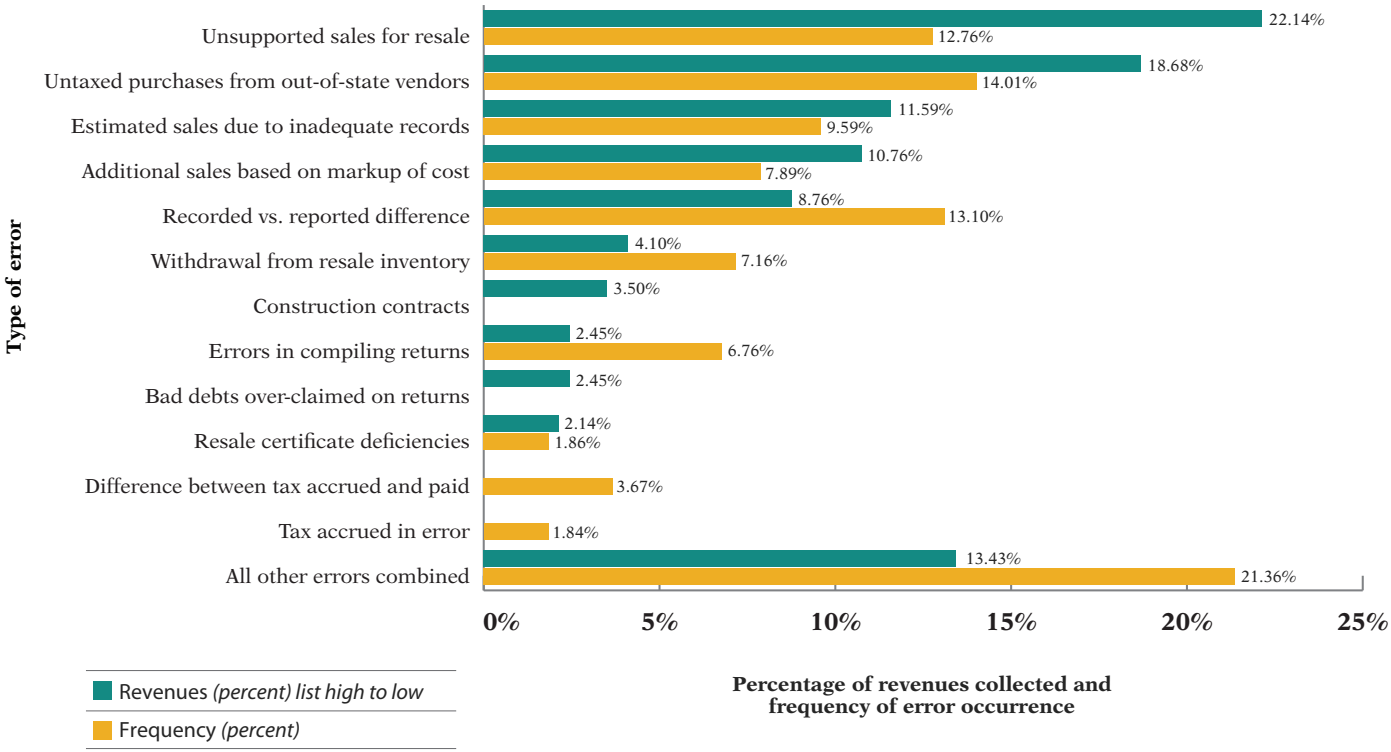
To educate the business community about their tax responsibilities, we established the Statewide Compliance and Outreach Program, known as SCOP. The SCOP representatives conduct visits to businesses to verify they hold the required state tax and fee permits and licenses and answer any questions the business owner may have. These representatives also contact business owners by phone. SCOP representatives from nine statewide teams visited or contacted 74,321 businesses during FY 2014-15. Of those businesses, 1,189, or approximately 1.6 percent, were found to be operating without a valid seller's permit. In addition, 1,798 sublocations were added to existing permits, which ensures proper tax allocation for local governments. SCOP's contacts also generated 16,264 account record updates, and approximately $54.7 million in revenue.

Compliance

Online information and free tax seminars offered by the BOE encourage voluntary compliance and inform business owners about their responsibilities. BOE staff members also assist business owners in interpreting tax laws and regulations and collect outstanding tax amounts. In FY 2014-15, the BOE collected more than one billion dollars in delinquent sales and use taxes.

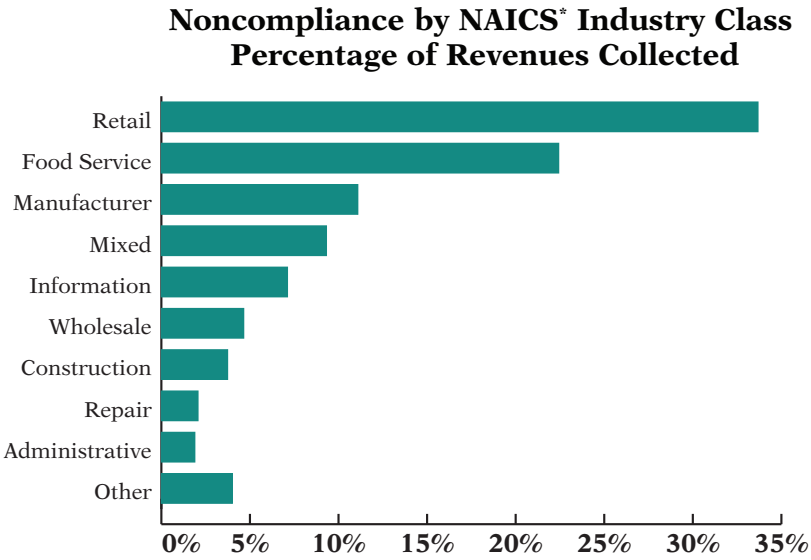
However, there are those who fail to comply with the state's tax laws in reporting and paying the correct amount of tax due. To comply with requirements of the Taxpayers' Bill of Rights, the BOE annually identifies the areas of the Sales and Use Tax Law where taxpayer noncompliance is highest and classifies the types of businesses making errors.

Top Ten Areas of Noncompliance by Revenues Collected and Frequency



The category of *Unsupported sales for resale* was the most costly and the third most frequent category of noncompliance, representing one in eight taxpayer errors. This area of noncompliance comprised over 22 percent of all net sales and use tax audit deficiencies (less refunds) totaling more than $107 million in unpaid tax.

Untaxed purchases from out-of-state vendors was the second most costly and the most frequent type of error, representing one in seven taxpayer errors. This noncompliance category accounted for nearly 19 percent of all net sales and use tax audit deficiencies (less refunds), totaling nearly $91 million in unpaid tax.



**NAICS—North American Industry Classification System*

In FY 2014-15, BOE Investigators:

- Conducted 10,770 Inspections
- Issued 268 Civil or Criminal Citations for Cigarette and Tobacco Product Violations
- Executed 190 Seizures of Contraband Cigarette and Tobacco Products

The BOE maintains an effective audit program to ensure that businesses accurately report the correct amount of tax. We audit one percent of active accounts each year, concentrating on those most likely to be inaccurate in their tax reporting. In FY 2014-15, the sales and use tax audit program disclosed net deficiencies of more than $508 million. Taxpayers received more than $118 million in sales and use tax audit refunds.

The BOE protects honest businesses against those that are not compliant with tax laws or engage in tax evasion. BOE investigators with Limited Peace Officer (LPO) status are authorized to conduct inspections, seize illegal products, and issue civil and misdemeanor citations to those in violation of the state's cigarette and tobacco products tax laws. LPOs also make field calls to businesses that continue to operate with revoked seller's permits. Such site visits give business owners a final opportunity to comply voluntarily.

Appeals Process

The BOE plays a significant role as the appellate body for the review of property, business, and income tax determinations. Our Board Members hear appeals from taxpayers regarding:

- Sales and Use Taxes
- Certain Special Taxes and Fees
- State-Assessed Property Values
- Corporation Tax and Personal Income Taxes
- Timber Tax
- Welfare Exemption Claim Denials

Although a majority of cases are resolved at the department level, the Board Members hear appeals from taxpayers who disagree with decisions regarding the taxes and fees they owe.

In FY 2014-15, taxpayers filed the following appeals with the BOE:

- 1,345 Sales and Use Tax Appeals
- 20,070 Special Tax and Fee Appeals*
- 691 Consumer Use Tax Appeals
- 47 Petitions from State-Assessed Public Utilities

In FY 2014-15, the BOE received 1,095 appeals filed under the Corporation Tax Law and the Personal Income Tax Law. The Board issued 362 decisions, considering 41 of the cases at oral hearings and deciding the remaining appeals based upon a review of the written record. Of the 362 decisions, 32 were petitions for rehearing.

Settlement and Offer in Compromise Programs

The BOE offers a settlement program when appropriate for certain tax and fee disputes. In FY 2014-15, staff settled 621 cases for a total settlement amount of $204.5 million. This included 601 sales and use tax cases for a settlement amount of $204.2 million, and 20 special tax or fee cases for a settlement amount of $0.3 million.

BOE also provides an "Offer in Compromise" program for certain tax and fee final liabilities. In FY 2014-15, the Board approved 289 offers in compromise.

*During FY 2014-15, the BOE received 375 Water Rights appeals and two Childhood Lead Poisoning and Prevention Fee appeals. The State Water Resources Control Board is responsible for decisions related to the Water Rights appeals; the California Department of Public Health is responsible for decisions related to Childhood Lead Poisoning and Prevention Fee appeals. The California Department of Forestry and Fire Protection (CAL FIRE) is responsible for decisions relating to the Fire Prevention Fee appeals which numbered 19,610 in FY 2014-15. The remaining 83 appeals are related to other special tax and fee programs.

CHANGING LAWS AND REGULATIONS

Regulations

The following lists the Board's adoption and amendment of property tax rules, sales and use tax regulations, adminstrative regulations, and special tax and fee regulations that became effective during FY 2014-15. Please visit *www.boe.ca.gov* for more information about these rules and regulations.

Property Tax

- Rule 133, *Business Inventory Exemption*
- Rule 140.1, *Requirements for Managing General Partner of Limited Partnership for Welfare Exemption for Low-Income Housing Properties*
- Rule 472, *Valuation of Real Property Interests in Timeshare Estates and Timeshare Uses*
- Rule 902, *Unitary Property Value Indicators and Staff Discussions*
- Rule 904, *Unitary and Nonunitary Property Value Determinations and Petitions for Reassessment*

Sales and Use Tax

- Regulation 1502, *Computers, Programs, and Data Processing*
- Regulation 1525.4, *Manufacturing and Research and Development Equipment*
- Regulation 1588, *Seeds, Plants, and Fertilizer*
- Regulation 1603, *Taxable Sales of Food Products*
- Regulation 1621, *Sales to Common Carriers*
- Regulation 1655, *Returns, Defects, and Replacements*
- Regulation 1684, *Collection of Use Tax by Retailers*
- Regulation 1699, *Permits*

- Regulation 1705, *Relief from Liability*
- Regulation 1802, *Place of Sale and Use for Purposes of Bradley-Burns Uniform Local Sales and Use Taxes*

Special Taxes and Fees

- Special Taxes Administration Regulation 4902, *Relief from Liability*
- Cigarette and Tobacco Products Licensing Act Regulation 4604, *Penalties for Licensed or Unlicensed Wholesalers and Distributors*
- Cigarette and Tobacco Products Licensing Act Regulation 4605, *Penalties for Licensed or Unlicensed Manufacturers and Importers*

Administrative

- Conflict of Interest Code Regulation 6001, *General Provisions*

Petition Denied

The Board denied a petition to repeal Sales and Use Tax Regulation 1585, *Cellular Telephones, Pagers, and Other Wireless Telecommunication Devices.*

Legislation

The following lists the FY 2014-15 legislation that impacts programs administered by the BOE:

Property Taxes

- *Comparable Sales – Near in Time*

  Assembly Bill 1143, Chapter 325, Statutes of 2014, effective September 15, 2014

- *Low-Income Housing: PILOT Agreements*

  Assembly Bill 1760, Chapter 671, Statutes of 2014, effective January 1, 2015

  Senate Bill 1203, Chapter 693, Statutes of 2014, effective January 1, 2015

- *BOE-sponsored Disabled Veterans' Exemption: Refunds*

  Senate Bill 1113, Chapter 656, Statutes of 2014, effective January 1, 2015

Sales and Use Tax

- *BOE-sponsored Qualified Veterans: Repayment*

  Assembly Bill 919, Chapter 643, Statutes of 2014, effective January 1, 2015

- *Motion Picture Tax Credit*

  Assembly Bill 1839, Chapter 413, Statutes of 2014, effective September 18, 2014

- *BOE-sponsored Lumber Products Assessment: Retailer Threshold*

  Assembly Bill 2031, Chapter 810, Statutes of 2014, effective January 1, 2015

- *Transaction and Use Tax: Unincorporated County*

  Assembly Bill 2119, Chapter 148, Statutes of 2014, effective January 1, 2015

- *BOE-sponsored Sales of Counterfeit Goods: Retail Sale Liability*

  Assembly Bill 2681, Chapter 477, Statutes of 2014, effective September 19, 2014

- *Use Tax Reported on State Income Tax Return: Payment Priority*

  Assembly Bill 2758, Chapter 541, Statutes of 2014, effective January 1, 2015

Special Taxes and Fees

- *Mobile Telephony Services Surcharge*

  Assembly Bill 1717, Chapter 885, Statutes of 2014, effective September 30, 2014, but surcharge operative January 1, 2016

  Senate Bill 84, Chapter 25, Statutes of 2015, effective June 24, 2015

- *Use Fuel Tax: Natural Gas: Gallon Equivalent*

  Assembly Bill 1907, Chapter 805, Statutes of 2014, effective January 1, 2015

- *BOE-sponsored Managed Audit Program Authority*

  Assembly Bill 2009, Chapter 105, Statutes of 2014, effective January 1, 2015

- *Fire Prevention Fee: Clean Up*

  Assembly Bill 2048, Chapter 895, Statutes of 2014, effective January 1, 2015

- *Underground Storage Tank Maintenance Fee: Extension*

  Senate Bill 445, Chapter 547, Statutes of 2014, effective September 25, 2014, operative January 1, 2015

- *Regional Railroad Accident Preparedness and Immediate Response Fee*

  Senate Bill 84, Chapter 25, Statutes of 2015, effective June 24, 2015, but fee operative six months after establishment of fee schedule.

Court Decisions

The following list summarizes the court decisions impacting the BOE during FY 2014-15:

California Court of Appeal Decisions

- *Ocean Avenue LLC v. County of Los Angeles (2014) 227 Cal.App.4th 344*

  No change in ownership of the hotel property occurred because the entity that owned the hotel property did not undergo a change in control as defined by Revenue and Taxation Code section 64, subdivision (c)(1) and Property Tax Rule 462.180 in order to trigger a reassessment.

- *Olive Lane Industrial Park, LLC v. County of San Diego (2014) 227 Cal.App.4th 1480*

  A taxpayer who acquires an eminent domain replacement property within the applicable statute of limitations period but fails to file the claim to transfer the base year value with the assessor within the statute of limitations period is nevertheless entitled to prospective relief.

- *William Jefferson & Co., Inc. v. Orange County Assessment Appeals Board No. 2 (2014) 228 Cal. App.4th 1*

  A taxpayer's challenge to the assessor's determination of real property value represents a challenge to the merits of the assessor's base year value determination that is required to be brought as a tax refund action against the county according to Revenue and Taxation Code section 5140, and not as an action against the assessment appeals board.

- *Chevron USA, Inc. v. County of Kern (2014) 230 Cal.App.4th 1315*

  The county's supplemental assessments of newly constructed oil wells are not exempt as normal maintenance or calamity, and the assessor's cost approach valuation methodology is valid and compatible with Property Tax Rule 468; furthermore, the taxpayer had standing to bring the refund action because taxpayer paid the tax through its parent company.

- *City of South San Francisco v. Board of Equalization (2014) 232 Cal.App.4th 707*

  California Code of Regulations, title 18, section 1803, which provides that the local sales tax is inapplicable in any situation where the state sales tax is inapplicable, is consistent with and is supported by the plain language of the Bradley-Burns Uniform Local Sales and Use Tax Law, which specifies that the local sales and use tax are to be "identical" to the state Sales and Use Tax Law.

- *Ashlan Park Center LLC v. Vicki Crow (2015) 233 Cal.App.4th 1274*

  A property owner is not entitled to relief from penalties for delinquent taxes under Revenue and Taxation Code section 4985.2, subdivision (a), based on the previous owners' alleged inability to pay taxes on shopping center property because such hardship was not due to reasonable cause and circumstances beyond the taxpayer's control.

- *Dyanlyn Two v. County of Orange (2015) 234 Cal.App.4th 800*

  An assessor may not apply the step transaction doctrine to reassess a retail shopping center whose lease was extended for a term that exceeded 35 years and then sold to the lessee and an outside investor when the original lease term was for greater than 35 years and the two steps, viewed together, were not for the purpose of avoiding reassessment of property taxes.

- *Cafferkey v. City and County of San Francisco (2015) 236 Cal.App.4th 858*

  Taxpayers are not entitled to a property tax refund when taxes are paid for a lot that appears only on the assessor's map, and is clearly identifiable but does not correspond to the parcel map, because this distinction is irrelevant and does not render the tax erroneously or illegally collected under Revenue and Taxation Code section 5096, subdivision (b).

PROP. 13 WIN
Younger Wins – To Fa
Davis Is Second in GOP Race
Big Turnout On State Tax Issue
Deukmejian, Dymally Win in Statewide Races
Carter Water Plan—Sta
STATE OF CALIFORNIA
STATE TAXES
REPORT ON GENERAL CORPORATE FRANCHISES
WESTERN UNION
TELEGRAM

HISTORY OF THE BOARD OF EQUALIZATION

Created in 1879 by a constitutional amendment, the BOE was initially responsible for ensuring that county property tax assessment practices were equal and uniform throughout California.

The BOE began to levy four new taxes, including insurance and corporate franchise taxes in 1911, to produce revenue for services throughout our state.

The BOE assumed the responsibility for administering the new sales tax in 1933, created as a result of the tremendous drop in property tax revenues caused by the Great Depression, and began collecting the new use tax in 1935.

Currently, the BOE administers the state's sales and use tax laws, as well as fuel, alcohol, tobacco, and other special taxes and fees that fund specific state programs. In addition to administering key revenue programs, the BOE also plays a significant role in California property tax assessment and administration, and also acts as the appellate body reviewing actions of the Franchise Tax Board on personal income tax and corporation tax disputes.

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CALIFORNIA STATE BOARD OF EQUALIZATION

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