



California State Board of Equalization

# ANNUAL REPORT

2016-17



**BOARD MEMBERS**

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SEN. GEORGE RUNNER (RET.)  
First District  
Lancaster

FIONA MA, CPA  
Second District  
San Francisco

JEROME E. HORTON  
Third District  
Los Angeles County

DIANE L. HARKEY  
Fourth District  
Orange County

BETTY T. YEE  
State Controller

**EXECUTIVE DIRECTOR**  
DEAN R. KINNEE

## LETTER FROM THE EXECUTIVE DIRECTOR

The Honorable Edmund G. Brown, Jr.  
Governor of California

June 2018

Dear Governor Brown:

On behalf of the Members of the State Board of Equalization (BOE), I am pleased to present to you our annual report for fiscal year 2016-17.

The BOE supports California's state and local governmental finance system and provides essential revenue for the state's cities, counties, and special tax districts. BOE-administered programs produced \$64.3 billion in revenue in 2016-17. The state's portion, \$46.2 billion, contributed 27.9 percent of all state revenue for the fiscal year.

Thanks to the continual commitment of employees and a steady focus on improving technology, the BOE provides efficient and effective tax administration. BOE's total costs for all operation in 2016-17 were \$590.3 million—only 92 cents for every \$100 of revenue collected. Of the total cost of operations, only \$323.7 million came from the General Fund.

The agency remains dedicated to serving the people of the great State of California.

Sincerely,



Dean R. Kinnee  
Executive Director



*This Annual Report is dedicated to David J. Gau, Executive Director of the State Board of Equalization (BOE), who retired on December 29, 2017. Mr. Gau dedicated thirty-six years of his life to the BOE. The Annual Report highlights the achievements of the BOE to which Mr. Gau gave so much of himself for so many years.*



**WHEREAS**, David J. Gau, Executive Director of the Board of Equalization, will retire on December 29, 2017, after over thirty-six years of distinguished service to the State of California and the State Board of Equalization; and

**WHEREAS**, David began his career with the State Board of Equalization on April 20, 1981, as a Tax Auditor I in the Out-of-State District Office, and advanced his career to increasing responsibility through Auditor classifications, and was promoted to a Staff Services Manager II in the Legislative Division on October 1, 1993; and

**WHEREAS**, as a result of diligent work, demonstrated ability, management skills and eagerness to learn new tax programs, David was promoted to Principal Property Appraiser in the Property Tax Department on September 1, 1998; and

**WHEREAS**, David's skills were immediately recognized, he was appointed to Chief, Policy, Planning, and Standards Division in the Property Tax Department on January 7, 1999; and

**WHEREAS**, David's success in this role soon led to his appointment to Deputy Director of the Property Tax Department on November 3, 2001; and

**WHEREAS**, when the Board of Equalization's Property Tax Department and Special Taxes Department were combined on August 1, 2002, he was the clear choice to lead the new department, and undertook double duties when appointed to be the Interim Deputy Director of the Administration Department for approximately one year while continuing to successfully lead the Property and Special Taxes Department; and

**WHEREAS**, due to his enduring success, dedication, notable contributions, and skills in all the above roles, coupled with his knowledge of all the Board of Equalization's Tax Programs and Administrative Functions, David was appointed to Chief Deputy Director of the Board of Equalization on May 22, 2014; and

**WHEREAS**, due to his outstanding leadership, sound judgment, and unsurpassed personal qualities as being an approachable leader and beloved Board of Equalization employee, David was appointed to Executive Director of the Board of Equalization on April 1, 2016: Therefore, be it

**RESOLVED**, that we, the Members of the Board, do hereby extend to David J. Gau our sincere and grateful appreciation for his dedicated and outstanding service to the State Board of Equalization and to the State of California, our congratulations on his well-earned retirement, and our best wishes to him and his family for continued success, happiness, and good health in years to come.

Adopted at Sacramento, California, this eleventh day of December 2017, by the State Board of Equalization.



## MISSION

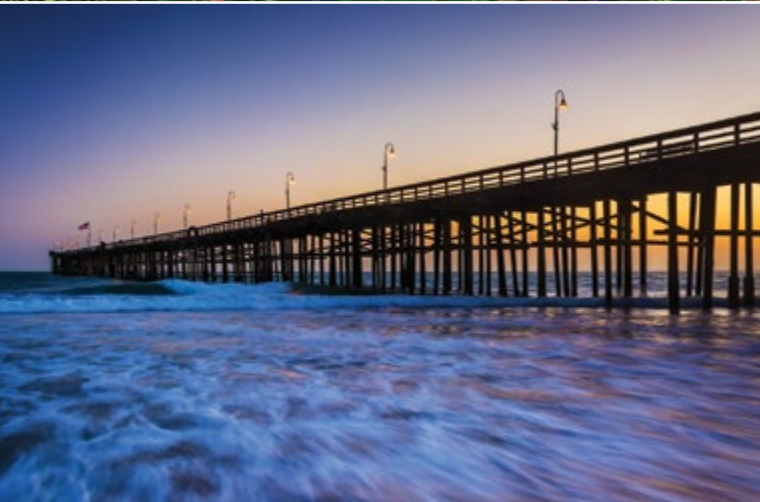
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The mission of the California State Board of Equalization is to serve the public through fair, effective, and efficient tax administration.

## VISION

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A California State Board of Equalization where together people and technology achieve the mission of the agency and deliver superior customer service through transformed business processes and organizational structure.



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# PROFILE



MS. YEE

MR. HORTON

MS. HARKEY  
CHAIRWOMAN

MR. RUNNER

MS. MA

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## HISTORY

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

In 1911, a voter-approved constitutional amendment directed the BOE to levy four new taxes, including insurance and corporate franchise taxes (the latter now administered by the Franchise Tax Board).

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.

Since that time, the BOE has administered an increasing number of additional taxes and fees in addition to the sales and use and property taxes. These taxes and fees included fuel, alcohol, tobacco, lumber products, tire, and electronic waste recycling. More than one million businesses were registered with the agency in fiscal year 2016-17.

Programs administered by the BOE produced \$64.3 billion in revenue in 2016-17. The state's portion, \$46.2 billion, contributed 27.9 percent of all state revenue for the fiscal year. The BOE supports California's state and local governmental finance system by providing essential revenue for the state's cities, counties, and special tax districts. BOE-administered programs yielded \$18.0 billion for local governments from local and district sales and use taxes in 2016-17.

Effective July 1, 2017, [Assembly Bill 102](#) (Ch. 16, Stat. 2017) restructured the BOE and separated its functions among three separate entities. Most of the duties performed by the BOE were transferred to the newly created [California Department of Tax and Fee Administration \(CDTFA\)](#) and the [Office of Tax Appeals \(OTA\)](#).

Going forward, the BOE will continue to perform the duties it was assigned by the state Constitution including the administration of most property tax programs.

The BOE will also strive to enhance its operational effectiveness to meet its core values of putting people first, committing to excellence, and getting better.



## TAX AND FEE PROGRAMS: 2016-17

### SALES AND USE TAX PROGRAMS

Sales and Use Tax  
 Bradley-Burns Uniform Local Sales and Use Tax  
 District Transactions (Sales) and Use Tax  
 Medi-Cal Managed Care Plans Sales Tax

### SPECIAL TAX AND FEE PROGRAMS

Aircraft Jet Fuel Tax  
 Alcoholic Beverage Tax  
 California Tire Fee  
 Childhood Lead Poisoning Prevention Fee  
 Cigarette and Tobacco Products Licensing  
 Cigarette Tax  
 Diesel Fuel Tax  
 Electronic Waste Recycling Fee  
 Emergency Telephone Users Surcharge  
 Energy Resources Surcharge  
 Fire Prevention Fee  
 Hazardous Waste Disposal Fee  
 Hazardous Waste Environmental Fee  
 Hazardous Waste Facility Fee  
 Hazardous Waste Generator Fee  
 Insurance Tax

Integrated Waste Management Fee  
 International Fuel Tax Agreement (IFTA)  
 Interstate Diesel Fuel User Tax  
 Lead-Acid Battery Fee  
 Lumber Products Assessment  
 Marine Invasive Species Fee  
 Motor Vehicle Fuel Tax  
 Natural Gas Surcharge  
 Occupational Lead Poisoning Prevention Fee  
 Oil Spill Prevention and Administration Fee  
 Oil Spill Response Fee  
 Prepaid Mobile Telephony Services (MTS) Surcharge  
 Tobacco Products Tax  
 Underground Storage Tank Maintenance Fee  
 Use Fuel Tax  
 Water Rights Fee

### PROPERTY TAX PROGRAMS

Private Railroad Car Tax  
 State-Assessed Property  
 Timber Yield Tax

## TAX APPELLATE PROGRAMS:

Bank and Corporation Tax Law  
 Personal Income Tax  
 Homeowner and Renter Property Tax Assistance Law

Publicly Owned Property Assessment Review Program  
 Taxpayers' Bill of Rights Law

**Publication 41**, *Taxes and Fees Administered by the California State Board of Equalization*, accompanies this report and lists revenues and other comparative information in a convenient chart format for revenue-producing tax and fee programs administered by the BOE.

## GOVERNANCE

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

The Board consists of five Members who serve concurrent four-year terms. One Member is elected from each of California's four equalization districts. The State Controller, elected at large, serves as the Board's fifth Member. Each of the four elected Board Members took office in January 2015, and represents approximately 9.5 million constituents in their respective districts.

In the fiscal year 2016-17, the BOE's Executive Director, appointed by the Board Members, directed 4,338 agency employees, to carry out the BOE's mission, goals, and directives.

## BOE RESPONSIBILITIES

The primary responsibilities of the BOE in fiscal year 2016-17 were to:

- Administer agency programs.
- Act as an appellate body for the review of property, business, and income tax determinations.
- Adopt rules and regulations clarifying the laws it administers.
- Determine the assessed value of railroads and specified privately held public utilities, including gas, electric, and telephone companies.
- Oversee the property tax assessment practices of county assessors.

In carrying out these responsibilities, the BOE:

- Served as the appellate body for final actions taken by the [Franchise Tax Board \(FTB\)](#) involving the state's Bank and Corporation Franchise Tax, the Personal Income Tax, and the Homeowner and Renter Property Tax Assistance Laws.
- Prescribed Property Tax Rules and issued advice to guide property owners, county assessors, and county assessment appeals boards.
- Considered appeals from taxpayers and feepayers regarding sales and use taxes, excise taxes, fuel taxes, environmental fees, insurance taxes, and state-assessed property values.
- Considered appeals from local governments of assessments made by county assessors on lands, water rights, and certain improvements on properties owned by the local governments but located outside their boundaries.
- Developed and adopted capitalization rates to be used in valuing state-assessed utilities.
- Classified unitary and nonunitary properties of public utilities, and determined the property values of each assessee for local property taxation.
- Oversaw revenue collection and program operations of various tax and fee programs administered in cooperation with other state agencies.



- Reviewed the practices and procedures of selected county assessors' offices to ensure compliance with state law governing the administration of local property taxation.
- Promoted statewide uniformity, fairness, equity, and integrity in the property tax assessment process.
- Prescribed property tax forms and publishes handbooks for county assessors' use.
- Published a Business Taxes Law Guide and advisory tax publications to help businesses comply with tax law requirements.
- Published a Property Taxes Law Guide and advisory tax publications for use by county officials and taxpayers.

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## MEETINGS

Public Board meetings offered taxpayers, fee payers, 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 carried out their official duties. The Board met monthly.

The Board also held Taxpayers' Bill of Rights hearings each year that allowed taxpayers and fee payers to make comments and suggestions regarding BOE-administered laws and programs. For information regarding the 2016-17 hearings and related agency actions, please see [page 51](#).



## BOARD MEMBERS

### SENATOR GEORGE RUNNER (RET.)

**George Runner**, elected in November 2010 and re-elected in 2014, represents more than nine million Californians as a Member of the California State Board of Equalization. He is a leading advocate for California taxpayers and serves as the Board's Vice Chair.

During his time on the Board, Mr. Runner has worked to improve California's tax policies and practices and to create and retain more private sector jobs in our state. He was instrumental in ending the practice of collecting security deposits from new business owners trying to do business in California. As a result, the state has returned tens of millions of dollars back to their rightful owners instead of keeping those funds tied up in a government account.

Mr. Runner led a successful effort to reform an ineffective use tax collection program targeting small businesses. He was an outspoken critic of the confusing and controversial California Fire Prevention Fee.

Prior to his election to the Board, Mr. Runner served 12 years in the State Legislature. As a thoughtful conservative, his legislative priorities included improving the economy, business growth, education excellence, and public safety for all Californians.

Mr. Runner was the author of Jessica's Law, which was passed by more than 70 percent of California voters in November 2006. It created some of the toughest and most comprehensive sex offender management and control laws in the nation.

He also authored the well-known California Amber Alert, which has resulted in more than 200 successful reunions of children with their parents, as well as California's Blue Alert, which uses Amber Alert technology when a peace officer has been killed, seriously wounded or assaulted with a deadly weapon and the suspect has fled the scene.

In recognition of his efforts, Mr. Runner was named Legislator of the Year by a number of respected organizations, including the California State Sheriffs' Association and others.

Mr. Runner was consistently named one of Sacramento's most conservative legislators by the *Capitol Weekly* newspaper and received perfect legislative scores from the Howard Jarvis Taxpayers' Association.

Prior to his election to the State Senate in 2004, Mr. Runner served in the State Assembly for three terms, from 1996 to 2002, serving as Vice Chair of the Assembly Budget Committee.

Prior to his election to the State Assembly, Mr. Runner served on the Lancaster City Council, including two years as mayor. In 1976, Mr. Runner founded Desert Christian Schools, which is now one of the largest private schools in the State of California.



## BOARD MEMBERS

**FIONA MA, CPA**

**Fiona Ma** was elected in November 2014 to represent the California State Board of Equalization's Second District. Ms. Ma served as Chairwoman of the Board in 2016, and is currently the Chair of the Board's Legislative Committee. As one of the few Certified Public Accountants (CPAs) to serve on the Board, Ms. Ma is a strong voice for taxpayers helping them navigate California's complex tax laws and be successful in California's business climate. She has supported legislation to remove barriers to tax payments such as expanding the time businesses can file returns when a disaster strikes and reducing the amount of interest due when a taxpayer pays one day late via electronic funds transfer.

As a small business owner, Ms. Ma served as President of the Asian Businesses Association in San Francisco. Ms. Ma was later elected to represent District 4 on the San Francisco County Board of Supervisors from 2002-06. On the Board of Supervisors, she led the effort to create San Francisco's Disadvantaged Business Enterprise program.

Ms. Ma also represented the 12<sup>th</sup> Assembly District from 2006-12. She worked tirelessly to help small businesses, protect children and the environment, assist farmers, expand healthcare for all, advocate for victims, improve transportation, and was a strong voice for women and Asian Pacific Islanders. Her leadership on many high-profile topics, as well as her bipartisan approach with her colleagues, led her to be appointed to Majority Whip and then the first Asian-American female Assembly Speaker pro Tempore in California history.

As an Executive Board Member of the National Conference of State Legislators, Ms. Ma worked to keep California's business climate competitive with other states and has been on the forefront in promoting California's worldwide trade efforts to help stimulate the California and global economies simultaneously.

Ms. Ma received her Bachelor of Science degree in Accounting from the Rochester Institute of Technology, her M.S. in Taxation from Golden Gate University, and her MBA in Business Taxation from Pepperdine University. She serves on the board of several nonprofit organizations, and is a member of the Screen Actors Guild, Aspen Institute's 2009 Class of Aspen-Rodel Fellows, and the California Film Commission. She has been licensed in California as a CPA since 1992.

## BOARD MEMBERS

### JEROME E. HORTON

**Jerome E. Horton** was elected to the State Board of Equalization in November 2010 and 2014 to represent 9.5 million constituents in the Third District. He served as Chairman of the Board from 2010-2016, Vice Chair from 2009-2010, and Chairman of the Property Tax Committee, representing a total of over 38 years of public/tax policy, law, and administrative experience. His background includes 29 years within the Board of Equalization, three terms in the California Legislature, and Member of the California Medical Assistance Commission, Cultural Endowment Board and Inglewood City Council; and President of a private government affairs firm.



Known as a pragmatic problem solver, Mr. Horton authored/co-authored legislation that protects taxpayers from criminal tax cheats, increases employment, contracting and educational opportunities, protects civil rights, increases funding and protections for education and public safety, and increases government efficiencies. His Cigarette and Tobacco Licensing Act is a national model used to successfully prevent illegal sales of cigarettes.

Mr. Horton is one of the architects of the Taxpayers' Bill of Rights, and is dedicated to minimizing the burden of taxation and leveling the playing field for taxpayers doing business in California. He is the catalyst for the formation of the Joint Enforcement Strike Force, the Tax Recovery and Criminal Enforcement Task Force, and the Revenue Recovery and Collaborative Enforcement Team Act, all aimed at protecting California taxpayers from criminals operating in the underground economy. Member Horton's Campaign Against Poverty initiative includes his mentorship and internship program for economically challenged students; community Volunteer Income Tax Assistance program events that help working families, seniors, and the disabled claim millions in tax credits; his Anti-Human Trafficking program that promotes the prosecution and conviction of criminals exploiting human beings for financial gain.

Member Horton's initiatives have helped to streamline the BOE appeals and settlement processes, enhance customer service, clarify policies, procedures and tax law, equalize the assessment of property taxes, and minimize the frustration of taxation. His initiatives included establishing the Professional Development Day to enhance BOE employee training, effectiveness, efficiency, and responsiveness while positioning the employees for upward mobility. Noteworthy, Horton is the first African American elected to the Board since its inception in 1879.

Mr. Horton received his Bachelor of Science degree in Finance and Accounting from California State University, Dominguez Hills. He is married to the Honorable Yvonne Horton, City Clerk of the City of Inglewood. Together, they have two children, one granddaughter, a dog, and a cat.



## BOARD MEMBERS

**DIANE L. HARKEY**

**Diane L. Harkey** was elected in November 2014 to represent the California State Board of Equalization's Fourth District. Ms. Harkey recently served three terms in the California State Assembly representing the 73<sup>rd</sup> District encompassing south Orange County. In 2017, Ms. Harkey was elected by her colleagues to serve as Chairwoman of the Board of Equalization.

As a Member of the California State Board of Equalization, District 4, she capitalizes on her private and public sector experience to promote the rights and interests of all taxpayers. Ms. Harkey advocates for policies which support job creation in the private sector, improve California's state budget outlook, and reduce the burden of complying with government audits and various tax regulations.

Ms. Harkey believes that California must establish new policies to ensure future improvements in transportation, water, and other necessities, so our state can retain its place as one of the top-ranking economies in the world. Ms. Harkey works with the other Members of the Board of Equalization, the Governor's Administration, and the State Legislature to make California golden, once again. During her time in the Legislature, Ms. Harkey authored numerous bills to reduce California's debt obligations and boost job creation in the private sector.

While serving as Vice Chair for the Assembly Revenue and Taxation Committee, she was a strong voice for taxpayer and business interests. Ms. Harkey also served as Vice Chair of the Assembly Committee on Appropriations for three years where she was a forceful advocate for state spending restraint and policies which stimulate job growth.

Ms. Harkey graduated Cum Laude with a Bachelor of Science degree in Economics from the University of California, Irvine.

Prior to her service in the California State Assembly, she enjoyed a successful 30-year career in corporate finance and banking. Working in good and bad economic climates with individuals, small business owners, and leaders of publicly traded companies helped form the pragmatic business perspective that Ms. Harkey brings to the Board of Equalization.

Ms. Harkey won her election to the Board of Equalization with more than 61 percent of the vote and is proud to represent the counties of Orange, Riverside, San Diego, Imperial, and the southernmost portion of San Bernardino County.

## BOARD MEMBERS

### CONTROLLER BETTY T. YEE

State Controller [Betty T. Yee](#) was elected in November 2014, following two terms of service on the California State Board of Equalization. As Controller, she continues to serve the Board as its fifth voting Member.

Ms. Yee was first elected to the Board of Equalization in 2006 where she represented 21 counties in northern and central California. She was elected to her second four-year term in 2010.

Now serving as the state's chief fiscal officer, Ms. Yee chairs the Franchise Tax Board and serves as a member of the California Public Employees' Retirement System (CalPERS) and the California State Teachers' Retirement System (CalSTRS) Boards. These two Boards have a combined portfolio of nearly \$500 billion. Ms. Yee also serves on the Ceres Board of Directors, a nonprofit organization working to mobilize many of the world's largest investors to advance global sustainability and take stronger action on climate change.

Ms. Yee serves on dozens of boards and commissions with authority ranging from land management to crime victim compensation. As a member of the State Lands Commission (and chairperson in even-numbered years), she helps provide stewardship of public-trust lands, waterways, industrial wharves, marine terminals, pipelines, and resources through economic development, protection, preservation, and restoration consistent with the state's environmental needs. The development and extraction of oil, gas, and geothermal resources are part of the Commission's purview, as well. Through other financing authorities, Ms. Yee is dedicated to creating incentives that will increase the number of affordable housing units in California, given that demand consistently outpaces supply.

Ms. Yee has 35 years of experience in public service, specializing in state and local finance and tax policy. Ms. Yee previously served as Chief Deputy Director for Budget with the California Department of Finance where she led the development of the Governor's Budget, negotiations with the Legislature and key budget stakeholders, and fiscal analyses of legislation on behalf of the Administration. Prior to this, she served in senior staff positions for several fiscal and policy committees in both houses of the California State Legislature. She also cofounded the Asian Pacific Youth Leadership Project, which exposes California high school youth to the public service, public policy, and political arenas.

A native of San Francisco, Ms. Yee received her Bachelor of Science degree in sociology from the University of California, Berkeley, and she holds a master's degree in public administration.







# HIGHLIGHTS





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## REVENUE

Fiscal year 2016-17 revenues totaled \$64.3 billion, unchanged from the \$64.3 billion in 2015-16. This is primarily due to the expiration of the Fiscal Recovery Fund Sales Tax, a decrease in fuel revenues due to lower fuel prices, and a tax change in the Medi-Cal managed care plans. Those decreased the total revenues collected by approximately \$2.5 billion. The use tax receipts totaled \$53.8 billion in fiscal year 2016-17, a decrease of 0.4 percent from the \$54.1 billion in fiscal year 2015-16.

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## ACCOMPLISHMENTS

The mission of the BOE is to serve the public through fair, effective, and efficient tax administration. The following accomplishments highlight the vision of the BOE, established in the *Strategic Management Plan*, where together people and technology achieve the mission of the agency and deliver superior customer service through transformed business processes and organizational structure.

The BOE accomplishments are summarized under the three goals of its *Strategic Management Plan*.

### MAXIMIZE VOLUNTARY COMPLIANCE

#### Property Tax Guidance

Staff in the Property Tax Department issued guidance to provide county assessors' staff, assessment appeals board members, taxpayer representatives, and others with the guidelines necessary to make equitable assessments of wind energy properties in California. The Board adopted and authorized publication of *Guidelines for the Assessment of Wind Energy Properties*.

#### Proposition 56 Implementation

During fiscal year 2016-17, the voters of California passed Proposition 56, which established an April 1, 2017, floor stock on cigarettes and cigarette tax stamps, increased the state excise tax rates on cigarettes, and classified certain products containing nicotine as taxable tobacco products. In response, the BOE developed a multi-departmental, phased implementation plan to allow updated registration, fund allocation, return processing, collections, audits, and appeals for tax liabilities arising from the proposition's passage.

Additionally, the BOE issued six Proposition 56-related special notices directed at different elements of the cigarette and tobacco products industry detailing their registration and taxation obligations, revised six existing tax returns, developed three new floor stock returns, revised four existing publications, and made extensive updates to the *Cigarette and Tobacco Products Tax and Fee Guide*.

#### Cigarette and Tobacco Licensing Act Revision

The BOE implemented two bills (ABx2-11 and SBx2-5) increasing the license application fees for cigarette and tobacco products retailers to \$265 per location, and increased the application fees to \$1,200 per location for wholesalers and retailers, effective June 9, 2016. These bills also required cigarette and tobacco products retailers to pay a \$265 annual renewal fee, raised wholesalers and distributors' annual renewal fee to \$1,200 per location, and required retailers of eCigarettes and vaping accessories to register for a Cigarette and Tobacco Products Retailer's License, effective January 1, 2017. During fiscal year 2016-17, BOE issued two special notices, website updates, and system programming to accommodate these legislative changes.

### Lead-Acid Battery Fee Implementation

Assembly Bill 2153 (Stats. 2016, Ch. 666) established the Lead-Acid Battery Recycling Act of 2016, which imposed fees on a consumer's purchase of a replacement lead-acid battery and the sale of a lead-acid battery by a manufacturer to a dealer, wholesaler, or distributor beginning April 1, 2017. The BOE again implemented system programming to allow updated online registration for the new fee, fund allocation, and online return processing.

The BOE also created a *Tax Guide for Lead-Acid Battery Fees* for the public website and issued two special notices to the public regarding AB 2153 and the lead-acid battery industry's registration and payment obligations.

### Regional Railroad Accident Preparedness and Immediate Response (RRAPIR) Fee Implementation

Senate Bill 84 (Stats. 2015, Ch. 25) established the RRAPIR fee, which requires railroad operators to collect the fee from owners of hazardous material at the time the railroad operator's loaded railcar enters California, or at the time the hazardous material is loaded into or onto the railroad operator's railcar in California. The fee is imposed on each loaded railcar.

During the fiscal year 2016-17, the BOE implemented system programming to allow updated online registration, fund allocation, and online return processing for the RRAPIR fee. The BOE created a *RRAPIR Industry Guide* for the public website in July 2016. On October 28, 2016, a preliminary injunction was filed in the United States District Court for the Northern District to stop the agency from administering the provisions of RRAPIR. As a result, the BOE did not issue any notices to affected parties and will not do so until the court resolves this issue.

### Centralized Revenue Opportunity System (CROS)

In August 2016, the BOE signed a contract with FAST Enterprises as the system integrator for its Centralized Revenue Opportunity System (CROS) project. CROS replaces the BOE legacy computer systems with an innovative customer-centered solution. The new system will maximize the effectiveness of staff operations, generate additional revenue, and provide efficiencies that will benefit California businesses. The first tax and fee programs, which include Sales and Use Tax, Cigarette and Tobacco Products Retailer's License Fee, Cigarette and Tobacco Products Internet purchases, Covered Electronic Waste Recycling Fee (eWaste), Lumber Product Assessment, California Tire Fee, and Prepaid Mobile Telephony Services (MTS) Surcharge (Indirect Sellers) will go live in spring 2018.

### Tutorial Videos Released to Assist Diesel Users to Support Claims for Refunds for Tax-Paid Diesel Used in Exempt Operations

During fiscal year 2016-17, the BOE revised instructional videos to support claims for refunds of taxed-diesel used in tax-exempt operations in response to the agency's previously-adopted amendments to [Regulation 1432](#), *Other Nontaxable Uses of Diesel in a Motor Vehicle*. When the new videos went live on the agency website in January 2017, there was one tutorial providing general information on exempt use of diesel fuel, a second video providing instruction on completing a claim for refund, and eleven additional video tutorials providing assistance to diesel users on completing schedules to support a claim of exempt fuel use.

### Online Industry Specific and Tax and Fee Guides Expanded

The BOE created several new [industry guides](#) for a total of 32 free, online, quick reference guides to better assist taxpayers and fee payers with managing their businesses within specific industries and to voluntarily comply with their tax or fee obligations. The following guides were created during fiscal year 2016-17:

- *Lead-Acid Battery Fees*
- *Regional Railroad Accident Preparedness and Immediate Response Guide*
- *Tax Guide for Purchasers of Vehicles, Vessels, and Aircraft*
- *Tax Guide for Cigarette and Tobacco Products*
- *Tax Guide for Winemakers and Distributors*
- *Tax Guide for Beer Brewers and Distributors*
- *Tax Guide for Distillers and Distributors of Distilled Spirits*
- *Tax Guide for Home-Based Businesses*

### Home-Based Business Webinar

In addition to the industry guide for home-based businesses, the BOE developed and produced a webinar on the same subject. The webinar provided useful guidance to retailers who work out of their homes or sell on the Internet.

### Tax Appeals Assistance Program (TAAP) Enhanced

The BOE program that provides free legal assistance from law students on certain kinds of income tax and business taxes appeals increased the qualified appeal amount to \$30,000.

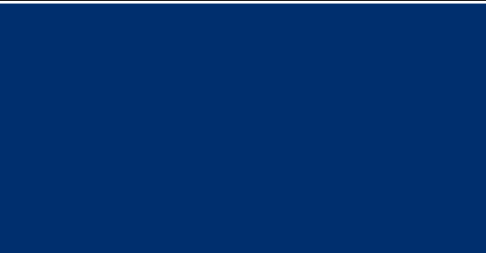
## ENHANCE OPERATIONAL EFFECTIVENESS

### FI\$CAL Accounts Receivable Interface Operational

In preparation for implementation of FI\$Cal in July 2018, BOE modified various fund accounting reports so that information can be uploaded to the accounting databases for FI\$Cal reporting. The information was provided to the Accounting Branch on June 30, 2017, and will run in parallel by the Accounting User Acceptance Testing (UAT) team with current systems until FI\$Cal is fully implemented.







### Property Tax Training Sessions Developed

Assembly Bill 1534 in 2015 created the Assessment Analyst Certification Program that requires county assessors to impose certification and annual training requirements on county assessor employees responsible for making property tax change in ownership and exemptions decisions. The BOE developed three certification property tax examinations and nine new property tax self-study sessions for assessment analysts in counties wishing to implement the program.

### Self-Paced Online Session Created

The BOE created *The Income Approach to Value* training designed to equip appraisers with an understanding of the fundamental principles of valuing property for ad valorem property tax purposes using the income approach to value. This online training session explains the basic assumptions of the income approach to value and various steps in the valuation process.

## INVEST IN THE ORGANIZATION

### Special Operations Branch Bankruptcy 101 Class for Auditors

Special Operations Branch, Bankruptcy Section, continued the specialized Bankruptcy 101 audit class outreach training to field auditors who piloted the class the prior fiscal year. A total of four classes were held and 100 auditors attended from four regional offices, including the Out-of-State Office in Sacramento. The benefits of this training include the empowerment of auditors to make more informed, effective audit decisions when they are impacted by the complexities and constraints of the bankruptcy process.

### Disability Advisory Committee Honored

The Disability Advisory Committee (DAC) was awarded the 2016 DAC Achievement Award and the 2016 ACES Award by the Association of California State Employees with Disabilities and the State Disability Advisory Committee. Both organizations recognized the BOE DAC and BOE's ongoing leadership in hiring and employing persons with disabilities.

### Extended Training Plans on eBOE

Career training plans were created and posted on eBOE (intranet) for Auditors, Business Taxes Representatives, Tax Technicians, Office Technicians, Staff Services Analysts, Associate Governmental Program Analysts, and supervisors. These plans assist staff in selecting appropriate and timely training throughout their career.

**Negotiations Training Initiative**

Staff completed a two-year initiative to train 800 professional audit and compliance staff in Headquarters and field offices to negotiate with taxpayers and fee payers in a positive and effective way, resulting in improved communications and increased compliance.

**Encouragement and Guidance for Staff**

The BOE management continues to encourage and guide eligible staff to pursue upward mobility opportunities, as well as provide staff with leadership opportunities through various project lead and subject matter expert assignments such as transition planning, CROS, and UAT.





# REVENUES and OPERATIONS



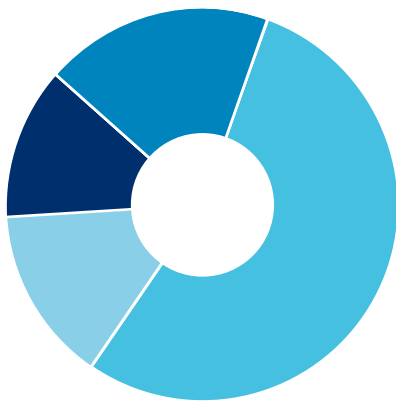


## PROPERTY TAX

California property tax levies for fiscal year 2016-17 totaled \$62.1 billion, an increase of 5.7 percent from the previous year’s total of \$58.7 billion. County-assessed property values rose \$388.1 billion during 2016 to reach \$5.7 trillion for the 2017-18 roll year.

In 2017, the BOE set the values of state-assessed properties, primarily privately owned public utilities and railroads, at \$105.5 billion for the 2017 roll. This was a \$2.1 billion increase from 2016-17 values. State-assessed properties produced an estimated \$1.48 billion in local property tax revenues for the state’s 58 counties in 2016-17.

For detailed property tax information, please see the [Appendix](#).



**2016-17 GENERAL PROPERTY TAX REVENUE**

	Billions of dollars in FY 2016-17	FY 2015-16	Change from 2015-16
School Purposes	\$33.4	\$31.7	5.4%
Counties	\$8.9	\$8.5	4.8%
Cities	\$7.7	\$7.3	6.4%
Other	\$12.0	\$11.3	7.0%
<b>TOTAL</b>	<b>\$62.1</b>	<b>\$58.7</b>	<b>5.7%</b>

*Note: Detail may not compute to total due to rounding*

## PROGRAMS

Under its constitutional mandate, the BOE oversees the assessment practices of the state’s 58 county assessors, who are charged with establishing values for approximately 13.6 million assessments each year. In addition, the BOE assesses the property of regulated railroads and specific public utilities, and assesses and collects the private railroad car tax and timber yield tax.

### General Property Taxes

County-assessed property values for the 2016-17 roll increased 6.2 percent. This gain is consistent with personal income expanding 3.7 percent. The increase in assessed value reflects a growing economy, and associated increases in building activity, rising home prices, and low inflation as discussed in the [Economic Analysis](#) chapter.

Proposition 13, passed by California voters in 1978, imposed a property tax rate of one percent of the property’s full cash value, with limited exceptions. In addition, it allows reappraisal of real property at current fair market value only when there is a change in ownership or upon completion of new construction. Otherwise, Proposition 13 limits annual increases in the value of real property to the previous year’s California Consumer Price Index for all items, up to a maximum of two percent.



When a reappraisal occurs because of a change in ownership or the completion of new construction, the assessor sets a new “base year value” for the property that underwent the change in ownership or that was newly constructed. Thereafter, Proposition 13 generally limits annual increases in the base year value to a maximum of two percent, depending on the most recent year’s percentage change in the California Consumer Price Index.

However, where a property’s current market value has declined below its base year value adjusted for inflation, the current market value becomes the property’s temporary assessed value until such time as the adjusted base year value exceeds its current market value. The temporary assessed value is commonly referred to as a “Proposition 8” value, so named for the November 1978 initiative constitutional amendment that allowed for such temporary reductions in assessed value.

When a property has received a Proposition 8 value, increases in assessed value year over year are no longer limited to two percent, but instead may be made in whatever amount is needed to either: (a) establish a new, higher Proposition 8 value; or (b) make up the difference between the prior year’s Proposition 8 value and the adjusted base year value. In all cases, the assessed value must be the lower of current market value or the adjusted base year value.

### State-Assessed Properties

In accordance with Article XIII, section 19 of the California Constitution, the BOE assesses certain public utilities and other specified properties and allocates the assessed values among the counties where the properties are physically located. Each county taxes the allocated value of state-assessed properties at the same rate as locally assessed properties.

State-assessed properties include:

- Pipelines, flumes, canals, ditches, and aqueducts lying within two or more counties.
- Property (except franchises) owned or used by regulated railway, telegraph, or telephone companies; railroad car companies operating on railways in the state; and companies transmitting or selling gas or electricity.

### Private Railroad Car Tax

Private railcar owners pay the private railroad car tax on railcars operated in California. For 2017-18, the Board-adopted assessed value for private railroad cars totaled \$844.6 million. The total assessed value reflects the application of a 64.17 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 2017-18 General Fund is \$9.2 million.

Additional information on the private railroad car tax can be found in the [Appendix](#) and in [publication 41, Taxes and Fees Administered by the California State Board of Equalization](#).

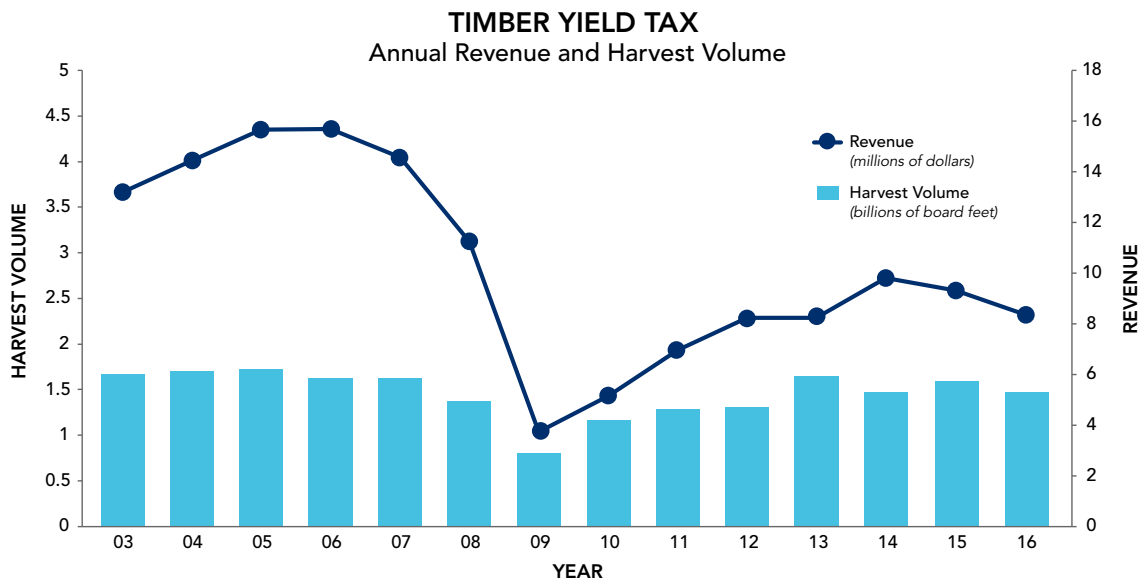


**Timber Yield Tax**

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 2016 revenues totaled \$8.5 million.

Timber harvest volume decreased from 1.59 billion board feet in 2015 to 1.5 billion board feet in 2016. The total value of the year’s harvest decreased from \$330 million to \$307 million. The number of registered timber owners decreased from 1,510 active program registrants at the end of June 2016, to 1,507 active program registrants as of June 30, 2017. Thirty timber owners paid approximately 79 percent of the tax collected in 2016.

Additional information on the timber yield tax can be found in the [Appendix](#) and in [publication 41](#).



**OPERATIONS**

**County-Assessed Properties Division**

The County-Assessed Properties Division develops property tax assessment policies and informational materials to guide county assessors and local assessment appeals boards. The division conducts periodic Assessment Practices Surveys of each selected county assessor’s office and distributes the survey reports to state and local officials.

In 2016-17, the BOE issued survey reports for the 16 counties of Alameda, Amador, Butte, Calaveras, Del Norte, Imperial, Lake, Mendocino, Nevada, Orange, Plumas, San Diego, Shasta, Stanislaus, Tehama, and Trinity. Copies of the reports are found in the *Property Tax* section of the BOE website.

Additionally, the Division provides technical expertise and guidance to assessors, the Legislature, and others concerned with property tax assessment matters, and ensures that property tax forms are uniform throughout the state.

In 2016-17, County-Assessed Properties Division staff provided the following services to local governments and the public:

- Updated three sections of the Assessors' Handbook to reflect current, annually collected data: *Residential Building Costs* (AH 531), *Rural Building Costs* (AH 534), and *Equipment and Fixtures Index, Percent Good and Valuation Factors* (AH 581).
- Developed *Guidelines for the Assessment of Wind Energy Properties*.
- Issued 93 advisory letters to county assessors.
- Responded by telephone to thousands of public inquiries regarding property tax matters, prepared hundreds of written responses, and responded to 882 inquiries from users of the BOE website.
- Reviewed 752 claims for *Organizational Clearance Certificates* and 531 claims for *Supplemental Clearance Certificates* associated with the welfare exemption.
- Reviewed 619 verification filings of organizations holding *Organizational Clearance Certificates* to ensure continued eligibility for the welfare exemption.
- Conducted 30 sessions of the BOE appraisal classes presented to 744 students; three workshop sessions presented to 56 students; 897 online sessions taken by BOE and county assessors' staff.
- Identified 917 changes in control and ownership of legal entities (corporations, partnerships, and limited liability companies) by the Legal Entity Ownership Program, resulting in the reassessment of 8,595 parcels.

### State-Assessed Properties Division

The State-Assessed Properties Division provided Board Members with value indicators for state-assessed properties, and allocated the BOE-determined value of those properties to the counties where the properties are physically located. The Division also audited the financial records of utility and transportation companies for property tax purposes and was responsible for the valuation of private railroad cars located in California. Since 1977, the Division's audits have resulted in adjusted property tax assessments of more than \$20.4 billion, yielding additional property tax revenue for local governments.

The Division also collects and administers the state's timber yield tax. The Timber Tax Section staff gathers data on timber harvest sales and develops timber harvest value schedules for consideration by the BOE's Timber Advisory Committee and approval by the Board Members. The Division also registers owners who harvest timber and collects the timber yield tax.

### Tax Area Services Section

The Tax Area Services Section continued to maintain maps of more than 9,800 revenue district boundaries that encompass 61,178 tax rate areas, helping to ensure the proper allocation of local tax revenue to counties, cities, and special tax districts.

### APPEALS

Local assessment appeals boards hear and decide appeals of county-assessed property values. The Board hears and decides appeals of state-assessed property values, appeals filed under the [Timber Yield Tax](#) and [Private Railroad Car Tax](#) Laws, appeals of welfare exemption denials, and appeals made by local governments concerning assessments of properties they owned outside their boundaries. For more information regarding appeals filed with the BOE in 2016-17, see [page 55](#).

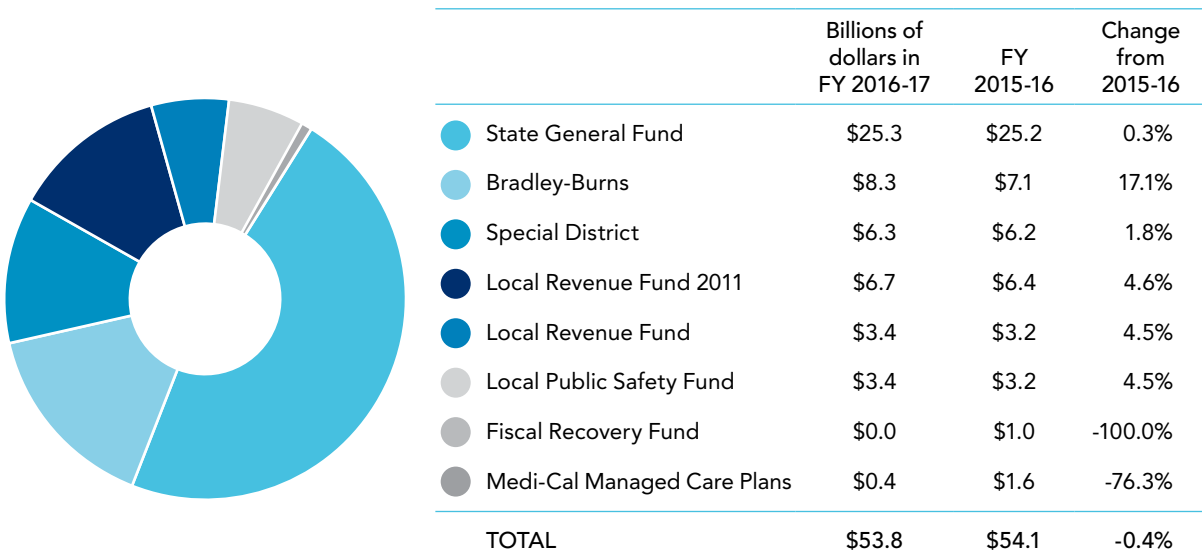
## SALES AND USE TAXES

California sales and use tax revenue totaled \$53.8 billion in 2016-17, a decrease of 0.4 percent from the \$54.1 billion total in 2015-16. The 0.4 percent decrease is mainly due to the expiration of the Fiscal Recovery Fund Sales Tax totaling approximately \$963 million, and the decrease in the Medi-Cal managed care plans totaling \$1,260 million. Sales and use tax revenue included:

- \$53.8 billion from the state sales tax, with:
- \$25.3 billion allocated to the state’s General Fund;
- \$6.7 billion allocated to the state’s Local Revenue Fund 2011 (tax rate of 1.0625 percent);
- \$3.4 billion allocated to the state’s Local Revenue Fund (tax rate of 0.50 percent);
- \$3.4 billion allocated to the Local Public Safety Fund (tax rate of 0.50 percent); and
- \$8.3 billion from the 1.25 percent Bradley-Burns Uniform Local Sales and Use Tax, allocated among all of the state’s 58 counties and 480 cities; and
- \$6.3 billion in special district transactions (sales) and use tax (rates vary by district).
- \$390 million allocated to the Children’s Health and Human Services Special Fund.

Sales and use tax allocations to the General Fund were 0.3 percent higher than in 2015-16.

2016-17 SALES AND USE TAX REVENUES



*Note: Detail may not compute to total due to rounding*



**PROGRAMS**

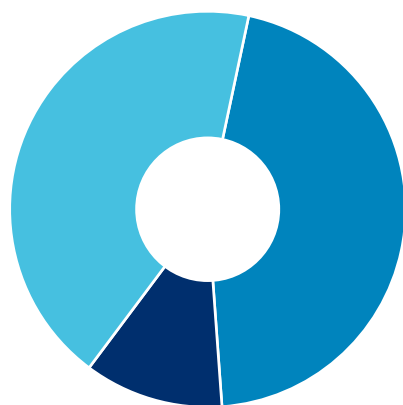
Retailers engaged in business in California pay the state’s sales tax, which applies to all retail sales of goods and merchandise, except those sales specifically exempted by law. California consumers of materials (tangible personal property) used, consumed, or stored in this state pay use tax. Use tax applies to purchases from out-of-state vendors (including purchases made by mail order, telephone, or Internet) and applies to most leases of tangible personal property. The state sales tax and use tax are “mutually exclusive” which means either sales tax or use tax applies to a single transaction, but not both. State sales and use taxes provide revenue to the state’s General Fund, to cities and counties through specific state fund allocations, and to other local jurisdictions.

The total sales and use tax rate in a specific California location has three parts: the state tax rate, the local tax rate, and any district tax rate(s) that may be in effect. During fiscal year 2016-17, the combined state and local tax rate was 7.50 percent for the first six months and 7.25 percent effective January 1, 2017.

**Local Sales and Use Tax**

In fiscal year 2016-17, the BOE collected and allocated the 1.25 percent Bradley-Burns Uniform Local Sales and Use Tax for all California cities and counties. For each sale, the 0.25 percent local tax was allocated to the county where the sale occurred for local transportation projects. The remaining 1.00 percent local tax was allocated to the county or an incorporated city, generally depending on the location of the sales negotiations.

City and county local tax distributions are detailed in Tables 21A and 21B of the *Appendix*.



**2016-17 LOCAL SALES AND USE TAX DISTRIBUTIONS**

	Billions of dollars in FY 2016-17	FY 2015-16	Change from 2015-16
City and County Taxes	\$6.7	\$5.5	21.2%
County Transportation Tax	\$1.7	\$1.6	3.2%
Special District Taxes	\$6.3	\$6.2	1.8%
<b>TOTAL</b>	<b>\$14.7</b>	<b>\$13.3</b>	<b>10.0%</b>

*Note: Detail may not compute to total due to rounding*

**District Transactions (Sales) and Use Tax**

The BOE collects and distributes voter-approved district transactions (sales) and use tax on behalf of tax districts throughout the state. The district taxes fund a range of local services and infrastructure, including general government, transportation projects, open space, hospitals, and public libraries. Some California locations lie within more than one tax district. These district taxes are applied in addition to the statewide tax rate of 7.50 percent July 1, 2016, to December 31, 2016, and 7.25 percent as of January 1, 2017.

A complete list of tax districts, jurisdictions, and revenues is found in Table 21C of the *Appendix*.

In fiscal year 2016-17, the BOE administered 258 district taxes (54 countywide districts and 204 citywide ones.) The rates of these district taxes ranged from 0.10 percent to one percent. The following districts went into effect, were extended, or expired during fiscal year 2016-17:

### NEW DISTRICT TAXES FY 2016-17

#### Effective October 1, 2016

City of Compton Transactions and Use Tax	1.00% (new)
City of Corning Transactions and Use Tax	0.50% (new)
City of Isleton Transactions and Use Tax	0.50% (new)
City of Marysville Transactions and Use Tax	1.00% (new)
City of San Jose Transactions and Use Tax	0.25% (new)
City of Pittsburg Preservation of Citywide Services Temporary Transactions and Use Tax	0.50% (extended to 6-30-2035)

#### Effective January 1, 2017

Statewide Sales and Use Tax Rate decreased	0.25%
City of Long Beach Transactions and Use Tax	1.00% (new)

#### Effective April 1, 2017

City of Belmont Transactions and Use Tax	0.50% (new)
City of Capitola Transactions and Use Tax	0.25% (extended to 12-31-2027)
City of Chula Vista Temporary Transactions and Use Tax	0.50% (new)
City of Clearlake Road Maintenance and Improvement Transactions and Use Tax	1.00% (new)
City of Del Mar Transactions and Use Tax	1.00% (new)
City of Del Rey Oaks Transactions and Use Tax	1.00% (extended to 3-31-2022)
City of Delano Transactions and Use Tax	1.00% (extended to 3-31-2028)
City of Downey Transactions and Use Tax	0.50% (new)
City of East Palo Alto Transactions and Use Tax	0.50% (new)
City of El Centro Transactions and Use Tax	0.50% (new)
Town of Fairfax 2017 Transactions and Use Tax	0.75% (new)
Town of Fairfax Transactions and Use Tax	0.50% (expired 3-31-2017)
City of Fairfield Transactions and Use Tax	1.00% (extended to 3-31-2033)
City of Fortuna Police and Essential Services Transactions and Use Tax	0.75% (new)
City of Fountain Valley Transactions and Use Tax	1.00% (new)
City of Hemet Transactions and Use Tax	1.00% (new)
City of Hollister Transactions and Use Tax	1.00% (extended to 3-31-2038)
City of Indio Transactions and Use Tax	1.00% (new)

## REVENUES and OPERATIONS

City of Isleton Transactions and Use Tax	0.50% (new)
City of La Palma Transactions and Use Tax	1.00% (new)
City of La Quinta Transactions and Use Tax	1.00% (new)
City of Lakeport Public Safety and Essential City Services Transactions and Use Tax	1.00% (new)
Town of Loomis Transactions and Use Tax	0.25% (new)
City of Lynwood Transactions and Use Tax	1.00% (new)
City of Madera Transactions and Use Tax	0.50% (new)
City of Martinez Road Maintenance and Improvement Transactions and Use Tax	0.50% (new)
City of Menifee Transactions and Use Tax	1.00% (new)
City of Nevada City Fire and Police Transactions and Use Tax	0.375% (new)
City of Newark Transactions and Use Tax	0.50% (new)
City of Orland Transactions and Use Tax	0.50% (new)
City of Placerville Special Transactions and Use Tax for Water, Sewer, etc.	0.50% (new)
City of Pleasant Hill Transactions and Use Tax	0.50% (new)
City of Ridgecrest Public Safety and City Services Transactions and Use Tax	1.00% (increased and extended) <i>(0.75% existing increased to 1.00% and extended to 3-31-2025)</i>
City of Rio Vista General Transactions and Use Tax	0.75% (extended to 3-31-2022)
City of Riverside Transactions and Use Tax	1.00% (new)
City of Sanger Public Safety Transactions and Use Tax	0.75% (extended to 6-30-2028)
City of Santa Monica 2017 Transactions and Use Tax	1.00% (increased and extended) <i>(0.50% existing increased to 1.00% and extended indefinitely)</i>
City of Santa Paula Transactions and Use Tax	1.00% (new)
City of Santa Rosa 2010 Transactions and Use Tax	0.25% (extended to 3-31-2027)
City of Sonoma Transactions and Use Tax	0.50% (extended to 9-30-2022)
City of St. Helena Transactions and Use Tax	0.50% (new)
City of Stockton Special Library and Recreation Transactions and Use Tax	0.25% (new)
City of Suisun City Transactions and Use Tax	1.00% (new)
City of Temecula Transactions and Use Tax	1.00% (new)
City of Tracy Transactions and Use Tax	0.50% (new)
City of Trinidad Transactions and Use Tax	0.75% (extended to 3-31-2021)

City of Ukiah Transactions and Use Tax	0.50% (new)
City of Vallejo Transactions and Use Tax	1.00% (extended indefinitely)
City of Ventura Transactions and Use Tax	0.50% (new)
City of Visalia Transactions and Use Tax	0.50% (new)
City of Wasco Transactions and Use Tax	1.00% (new)
City of West Sacramento Transactions and Use Tax	0.25% (new)
City of Westminster Transactions and Use Tax	1.00% (new)
City of Woodland Transactions and Use Tax	0.50% (extended to 12-31-2030)
City of Yreka Transactions and Use Tax	0.50% (new)
Town of Yucca Valley Essential Services Transactions and Use Tax	0.50% (new)
Town of Yucca Valley Sewer Implementation Transactions and Use Tax	0.50% (new)
Merced County Transportation Authority <i>(In addition, the rates for all cities within the county increased by 0.50%)</i>	0.50% (new)
Monterey Transportation Safety Transaction and Use Tax <i>(In addition, the rates for all cities within the county increased by 0.375%)</i>	0.375% (new)
Nevada County Public Library Transactions and Use Tax <i>(In addition, the rates for all cities within the county increased by 0.25%)</i>	0.25% (increased and extended) <i>(existing 0.125% tax increased to 0.25% and extended expiration date to 3-31-2032)</i>
Silicon Valley Transportation Solutions Tax (Santa Clara Transportation Authority) <i>(In addition, the rates for all cities within the county increased by 0.50%)</i>	0.50% (new)
San Mateo County Retail Transactions and Use Tax	0.50% (extended to 3-31-2043)
Santa Cruz County Transportation Transactions and Use Tax <i>(In addition, the rates for all cities within the county increased by 0.50%)</i>	0.50% (new)
Sonoma County Library Maintenance, Restoration, and Enhancement Act <i>(In addition, the rates for all cities within the county increased by 0.125%)</i>	0.125% (new)
Stanislaus Measure L Local Roads First Transportation Measure <i>(In addition, the rates for all cities within the county increased by 0.50%)</i>	0.50% (new)

Sales made by retailers in a jurisdiction levying a district tax are generally subject to a total sales tax rate that includes the statewide rate and the applicable district tax rate (see [Appendix](#) Table 23). While the provisions of the Transactions and Use Tax Law are similar to state and local sales and use tax laws, significant differences do exist. These include an exemption for sales shipped to a location outside the district for use in that location and special requirements for sales of aircraft, registered vehicles, and undocumented vessels. Property purchased for use in a district may be subject to that district's use tax.

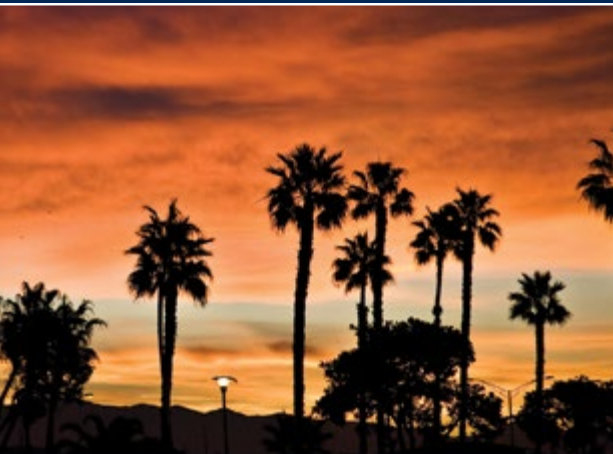


**FUNDING FOR LOCAL GOVERNMENTS**

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

● Alameda County City of Oakland	\$315,747,679 50,132,407	● Sacramento County City of Sacramento	\$235,693,495 74,913,529
● Amador County City of Jackson	\$4,501,866 895,687	● San Bernardino County City of Ontario	\$367,628,193 85,867,228
● Contra Costa County City of Concord	\$162,858,592 33,321,973	● San Diego County City of San Diego	\$562,678,663 270,750,641
● Humboldt County City of Eureka	\$21,753,490 10,532,343	● City and County of San Francisco	\$195,070,123
● Imperial County City of El Centro	\$24,489,817 11,961,648	● San Joaquin County City of Stockton	\$112,983,415 45,803,212
● Kern County City of Bakersfield	\$137,668,641 64,477,643	● San Luis Obispo County City of San Luis Obispo	\$49,935,306 16,743,053
● Lassen County City of Susanville	\$3,288,866 1,989,350	● San Mateo County City of Redwood City	\$160,612,350 22,163,923
● Los Angeles County City of Los Angeles	\$1,563,650,984 520,722,016	● Santa Clara County City of San Jose	\$422,228,604 176,364,002
● Monterey County City of Salinas	\$67,651,421 28,080,878	● Tehama County City of Red Bluff	\$8,060,181 3,353,817
● Orange County City of Anaheim	\$629,769,703 78,735,653	● Tulare County City of Visalia	\$69,320,789 31,047,350
● Placer County City of Roseville	\$91,228,194 51,384,332		





### OPERATIONS

The BOE encourages voluntary tax law compliance and offers sales and use tax assistance through its Sacramento Headquarters and 21 offices located throughout the state. BOE staff in the agency's New York, Chicago, Houston, and Sacramento Out-of-State offices assisted taxpayers and fee payers located outside California who are registered to do business in this state.

As of June 30, 2017, the number of sales and use tax permits totaled 961,213 which represented 1,325,902 business locations.

#### Compliance Activities

BOE compliance staff ensures sellers properly comply with permit requirements, assist sellers in interpreting tax laws and regulations, provide classroom instruction and individual assistance in the correct preparation of tax returns, and collect outstanding tax amounts. In fiscal year 2016-17, the BOE collected more than \$1.0 billion in delinquent sales and use taxes.

#### Consumer Use Tax Section

The Consumer Use Tax Section works closely with state and federal agencies in administering the use tax due on nondealer sales of vehicles, vessels, aircraft, and mobile homes. For fiscal year 2016-17, revenues totaled \$636.2 million, including funds collected by the BOE and:

- \$605.6 million collected by the [Department of Motor Vehicles \(DMV\)](#).
- \$2.8 million collected by the [Department of Housing and Community Development \(HCD\)](#).

Consumer use tax net revenues decreased by 23 percent over fiscal year 2015-16.

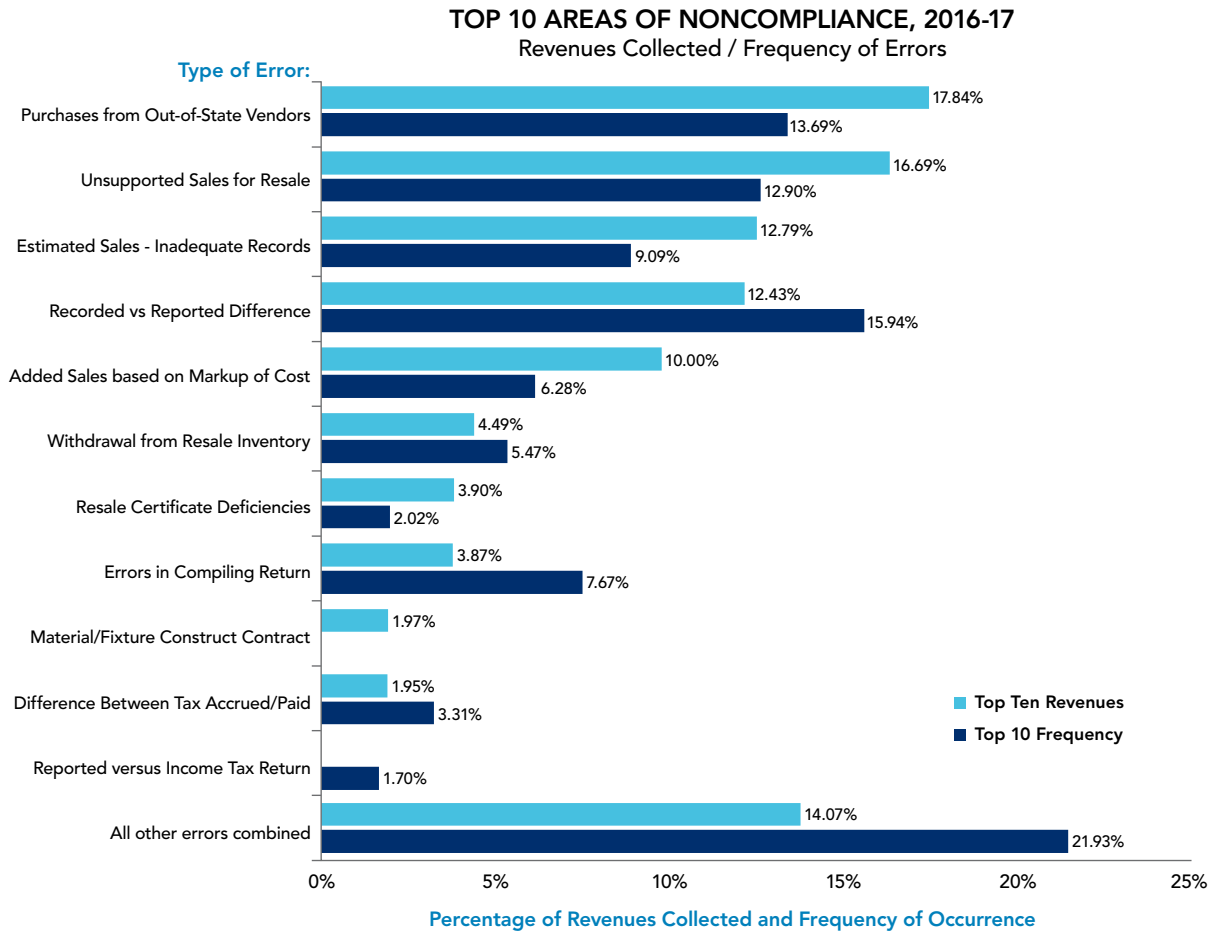
#### Audit Program

The BOE maintains an effective audit program to ensure businesses report the correct amount of tax. The program audits approximately one percent of active accounts each year, concentrating on those most likely to be inaccurate in their tax reporting. In fiscal year 2016-17, the sales and use tax audit program disclosed net deficiencies of more than \$466 million. Taxpayers received nearly \$182 million in sales and use tax refunds.

### Areas of Taxpayer Noncompliance

To comply with requirements of the [Taxpayers' Bill of Rights](#), the BOE:

- Identifies the areas of the Sales and Use Tax Law where taxpayer noncompliance is highest; and
- Classifies the types of businesses making errors.

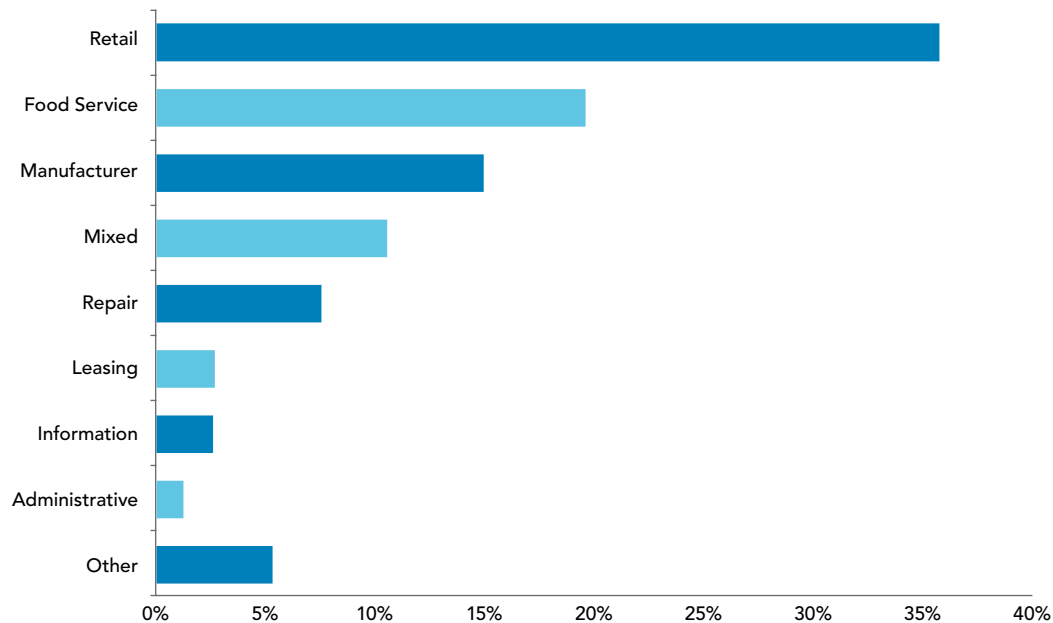


The category of *Purchases from Out-of-State Vendors* was the most costly and second most frequent area of noncompliance, representing one in seven taxpayer errors. This area of noncompliance comprised nearly 18 percent of all net sales and use tax audit deficiencies (less refunds) totaling over \$82 million in unpaid tax.

*Unsupported Sales for Resale* was the second most costly error and third most frequent area of noncompliance, representing one in eight taxpayer errors. This accounted for over 16 percent of all net sales and use tax audit deficiencies (less refunds), totaling nearly \$77 million in unpaid tax.



**NONCOMPLIANCE BY NAICS\* INDUSTRY CLASS**  
 Percentage of Revenues Collected



\*NAICS—North American Industry Classification System

### Tax Evasion

Noncompliance may also be intentional. In fiscal year 2016-17, the Investigations Division issued 18 audit billings for nearly \$10.5 million in taxes, penalties, and interest related to sales tax evasion.

### Statewide Compliance and Outreach Program

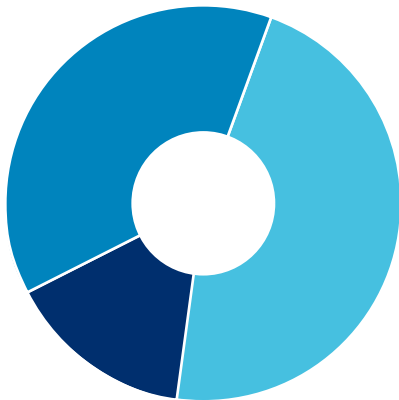
To educate the business community about their tax responsibilities, the BOE established the Statewide Compliance and Outreach Program, known as SCOP. SCOP representatives conduct visits to nonresidential businesses to verify they hold the required state tax and fee permits and licenses and answer any questions the business owners might have. These representatives also contact business owners by phone. In addition, they verify and update BOE account information and review business operations compared to returns filed to provide guidance on proper reporting. SCOP representatives from ten statewide teams visited or contacted 76,992 businesses during fiscal year 2016-17. Of those businesses, 701, or approximately 0.9 percent, were found to be operating without a valid seller’s permit. In addition, 1,911 sublocations were added to existing permits, which ensures proper tax allocation for local governments. SCOP’s contacts also generated 20,090 account record updates, and approximately \$32.8 million in revenue.

## SPECIAL TAXES AND FEES

In fiscal year 2016-17, the BOE administered 32 special tax and fee programs that encompass a broad range of activities and transactions. Some receipts are allocated to the state’s General Fund. Other special taxes and fees fund specific state services, from highway construction to recycling programs. The BOE administers most of the special tax and fee programs in cooperation with other state agencies.

### REVENUES

For fiscal year 2016-17, BOE-administered special tax and fee program revenues totaled \$10.4 billion, an increase of 1.9 percent from 2015-16 total revenues of \$10.3 billion. Fuel taxes totaled \$4.9 billion, while alcohol and tobacco taxes totaled approximately \$1.6 billion.



**FY 2016-17 SPECIAL TAXES AND FEES REVENUES**

	Billions of dollars in FY 2016-17	FY 2015-16	Change from 2015-16
Fuel Taxes	\$4.9	\$5.0	-3.3%
Alcohol and Tobacco	\$1.6	\$1.2	33.2%
Other Special Taxes	\$4.0	\$4.0	-1.0%
<b>TOTAL</b>	<b>\$10.4</b>	<b>\$10.3</b>	<b>1.9%</b>

*Note: Detail may not compute to total due to rounding*

### PROGRAMS

This section includes information regarding special tax and fee program revenue, significant program highlights, and the number of program registrants or licensees. More detailed information regarding individual tax and fee programs is found in [publication 41, Taxes and Fees Administered by the California State Board of Equalization](#), which accompanies this report. This publication includes information on what is taxed or licensed, who pays, tax and fee rates, year-to-year revenue changes, and how revenues from each program are used on behalf of California residents.

### Alcoholic Beverage Tax

For fiscal year 2016-17, alcoholic beverage tax revenues totaled \$368.4 million, a 0.1 percent decrease from \$368.7 million in 2015-16. As of June 30, 2017, the number of program registrants totaled 8,757. Consumption data is found in Tables 28 and 29 in the [Appendix](#).

### California Tire Fee

Revenues for the California Tire Fee for fiscal year 2016-17 totaled \$62.9 million. As of June 30, 2017, the number of program registrants totaled 14,063. The BOE administers this fee in cooperation with the [California Department of Resources Recycling and Recovery \(CalRecycle\)](#) and the [Air Resources Board \(ARB\)](#).

### Childhood Lead Poisoning Prevention Fee

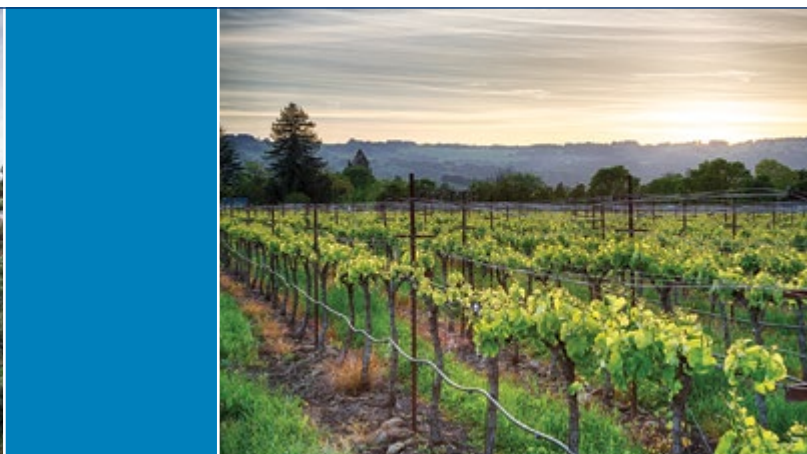
For fiscal year 2016-17, Childhood Lead Poisoning Prevention Fee collections totaled \$21.2 million. As of June 30, 2017, program registrants numbered 653. The BOE administers this fee in cooperation with the [California Department of Public Health \(CDPH\)](#).

### Cigarette and Tobacco Products Licensing Program

Cigarette and Tobacco Products License revenues totaled \$9.5 million. This program requires statewide licensing of all manufacturers, importers, distributors, wholesalers, and retailers of cigarette and tobacco products. As of June 30, 2017, the number of licenses consisted of: cigarette distributors (812); cigarette manufacturers and importers (31); tobacco products manufacturers and importers (236); cigarette retailers (33,814); and cigarette and tobacco wholesalers (404). The Program and Compliance Division processed 310 citations and conducted 117 appeal hearings.

### Cigarette and Tobacco Products Taxes

Combined revenues from cigarette and tobacco products totaled \$1.2 billion in fiscal year 2016-17, including \$1.1 billion from cigarettes and \$95.3 million from other tobacco products. These taxes are collected from cigarette and tobacco products distributors. As of June 30, 2017, 802 tobacco products distributors and 80 cigarette distributors held licenses under this program. These license numbers do not include 39 California cigarette or tobacco product consumers who are required to pay tax on their out-of-state (internet or mail order) purchases because they do not hold licenses.



### Diesel and Use Fuel Taxes

For fiscal year 2016-17, combined revenues from diesel and use fuel taxes totaled \$544.3 million, including \$77.8 million from the interstate user tax.

*Diesel Fuel Tax.* As of June 30, 2017, program registrants and licensees totaled 31,481. Most are registered for fuel tracking or refund purposes.

*Interstate Diesel Fuel User Tax.* Most interstate motor carriers who travel on California highways pay the state's interstate user tax through the International Fuel Tax Agreement (IFTA), an agreement among 48 states and 10 Canadian provinces. The vast majority of IFTA revenue comes from diesel fuel use. As of June 30, 2017, California-based IFTA licensees totaled 22,855. Carriers who travel only between California and Mexico also pay the interstate user tax. As of June 30, 2017, non-IFTA carrier registrants totaled 1,045.

*Use Fuel Tax.* As of June 30, 2017, alternative fuel user registrants totaled 819 and use fuel vendors registrants totaled 378.

### Electronic Waste Recycling Fee

For fiscal year 2016-17, covered Electronic Waste Recycling Fee revenue totaled \$71.8 million. As of June 30, 2017, retailers of specified new or refurbished electronic equipment registrants totaled 10,903. These retailers sell "covered electronic devices" (CEDs) that are subject to the fee. The BOE administers the program for CalRecycle in cooperation with the [Department of Toxic Substances Control \(DTSC\)](#).

### Energy Resources Surcharge

Energy Resources Surcharge revenues totaled \$72.3 million in fiscal year 2016-17. As of June 30, 2017, electric utility and consumer registrants totaled 190.

### Fire Prevention Fee

Revenues totaled \$81.5 million in fiscal year 2016-17. As of June 30, 2017, owners of habitable structures in the State Responsibility Area totaled 802,539. The BOE administered this fee with the [California Department of Forestry and Fire Protection \(CAL FIRE\)](#).

### Hazardous Substances Programs

The BOE administers five Hazardous Waste Fee programs in cooperation with the DTSC. Fee revenues for fiscal year 2016-17 and the number of businesses registered as of June 30, 2017, are as follows:

*Hazardous Waste Activity Fees.* Revenue: \$169,000. Entities pay the fees when applying for permits and other types of requests from the DTSC. They are not required to be registered with the BOE on an ongoing basis, and effective September 13, 2016, the Hazardous Waste Activity Fees are assessed and billed by the DTSC.

*Hazardous Waste Disposal Fee.* Revenue: \$6.9 million; registered facilities: 8.

*Hazardous Waste Environmental Fee.* Revenue: \$53.1 million; registered organizations: 51,350.

*Hazardous Waste Facility Fee.* Revenue: \$4.9 million; registered facilities: 194.

*Hazardous Waste Generator Fee.* Revenue: \$28.0 million; registrants: 5,462 fee payers with a total of 17,846 sites in the state.



### Insurance Tax

The Insurance Tax Program is jointly administered by the Board of Equalization (BOE), [California Department of Insurance \(CDI\)](#) and the [Office of the State Controller \(SCO\)](#). The BOE's responsibilities include issuing deficiency assessments, as well as refunds, and evaluating appeals. Registration numbers reflect only those accounts registered with BOE for administrative purposes. Revenues reflect all companies in California.

For fiscal year 2016-17, insurance tax revenue from this tax, levied against insurance companies in lieu of most other California taxes, totaled \$2.3 billion. As of June 30, 2017, 2,141 insurance companies were registered with the BOE for administrative purposes, and an additional 635 companies were registered as surplus line brokers. The SCO, the CDI, and the BOE, share administrative responsibilities of this program.

### Integrated Waste Management Fee

Revenues totaled \$50.5 million in fiscal year 2016-17. As of June 30, 2017, registered solid waste landfill and wood waste facility operators totaled 152. The BOE administers this program in cooperation with [CalRecycle](#).

### Lead-Acid Battery Fees

This program became effective April 1, 2017, with the first returns due after July 1, 2017. As of June 30, 2017, there were 56 registered manufacturers and 4,108 retailers registered for the program administered by the BOE in cooperation with [DTSC](#).

### Lumber Products Assessment

For fiscal year 2016-17, Lumber Products Assessment revenues totaled \$41.4 million. As of June 30, 2017, registered retailers of lumber or engineered wood products totaled 3,539. The BOE administers this program in cooperation with [CAL FIRE](#).

### Marine Invasive Species Fee

Revenues for the Marine Invasive Species Fee totaled \$4.8 million for fiscal year 2016-17. As of June 2017, registered fee payers for this program totaled 6,693. The BOE administers this program in cooperation with the [State Lands Commission \(SLC\)](#).

### Motor Vehicle Fuel Tax

**Motor Vehicle Fuel Tax.** For fiscal year 2016-17, Motor Vehicle Fuel Tax revenues totaled \$4.3 billion. As of June 30, 2017, registrants and licensees totaled 304 (153 suppliers and 151 other accounts). The BOE administers this program in cooperation with the SCO.

**Aircraft Jet Fuel Tax.** For fiscal year 2016-17, aircraft jet fuel tax revenues totaled \$3.3 million, based on the taxable sale or use of 161.5 million gallons of aircraft jet fuel. As of June 30, 2017, 219 jet fuel dealers were registered with the BOE.

### Natural Gas Surcharge

Natural Gas Surcharge revenue totaled \$655 million in fiscal year 2016-17. As of June 30, 2017, registered public utility gas corporations totaled 19 and consumers who purchased gas through interstate pipelines totaled 13.

### Occupational Lead Poisoning Prevention Fee

For fiscal year 2016-17, Occupational Lead Poisoning Prevention Fee revenues totaled \$3.5 million. As of June 30, 2017, registrants totaled 10,773. The BOE administers this program in cooperation with the [CDPH](#).

### Oil Spill Response, Prevention, and Administration Fees

*Oil Spill Prevention and Administration Fee.* For fiscal year 2016-17, Oil Spill Prevention and Administration Fee revenues totaled \$45.9 million. As of June 30, 2017, registrants totaled 35. The BOE administers this program in cooperation with the [Department of Fish and Wildlife \(DFW\)](#).

*Oil Spill Response Fee.* The Oil Spill Response Trust Fund reached its maximum \$50 million level in 1991. Oil spill response fees have not been collected since that time. As of June 30, 2017, registrants totaled 39. The BOE administers this program in cooperation with the DFW.

### Telecommunications Surcharges

#### *Emergency Telephone Users Surcharge and Prepaid 911 Surcharge.*

For fiscal year 2016-17, Emergency Telephone Users Surcharge and Prepaid 911 Surcharge revenue totaled \$78.7 million. As of June 30, 2017, registered telecommunication providers totaled 681.

*Prepaid Mobile Telephony Surcharge.* Prepaid Mobile Telephony Surcharge total revenues for fiscal year 2016-17 were \$19.8 million. As of June 30, 2017, sellers of prepaid mobile telephony or prepaid wireless telephone services totaled 3,311.

### Underground Storage Tank Maintenance Fee

For fiscal year 2016-17, Underground Storage Tank Maintenance Fee revenues totaled \$347.5 million. As of June 30, 2017, the number of permits totaled 7,961 representing 14,073 underground storage tank locations. The BOE administers this program in cooperation with the [State Water Resources Control Board \(SWRCB\)](#).

### Water Rights Fee

Revenues from the Water Rights Fee totaled \$16.3 million in fiscal year 2016-17. As of June 30, 2017, the number of registrants totaled 12,983. The BOE administers this program in cooperation with the SWRCB.





### OPERATIONS

#### Audit Program

Staff members in the Audit and Carrier Division have the primary responsibility for auditing special tax and fee program accounts. In fiscal year 2016-17, the special tax and fee audit program disclosed net deficiencies of more than \$10.6 million and identified \$414,000 in refunds.

#### Compliance Activities

BOE compliance staff ensures proper registration and licensing of businesses, assists taxpayers and fee payers in interpreting tax and fee laws and regulations, and provides help with tax and fee returns. Staff provides direct assistance to the businesses and organizations that pay special taxes and fees. The BOE processed 241,724 special tax and fee returns during fiscal year 2016-17.

Compliance staff members also collect delinquent tax and fee payments and refer tax evasion or fraud cases to the agency's Investigations Division.

#### Tax Evasion

Tax evasion makes up a large part of California's "underground economy." The Investigations Division assessed more than \$44.3 million for evasion of cigarettes and tobacco product taxes in fiscal year 2016-17.

### Fuel Tax Compliance

The BOE staff at [California Highway Patrol \(CHP\)](#) Truck Inspection Facilities and the [California Department of Food and Agriculture \(CDFA\)](#) Agricultural Inspection Stations enforce the state's fuel tax laws. They ensure that motor carriers traveling into California without current fuel tax licenses or fuel trip permits are brought into compliance before traveling on the state's highways. Staff assesses penalties for noncompliance and collects outstanding taxes.

### Cigarette Tax Compliance and Enforcement

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. In 2016-17, BOE investigators conducted 10,933 compliance inspections, issued 205 citations for various violations of the cigarette and tobacco products tax laws, and executed 111 seizures of contraband cigarettes and tobacco products that included 364,579 packs of contraband cigarettes and contraband tobacco products with a wholesale cost of \$75,064 for the tobacco products alone.

### Tax Recovery and Criminal Enforcement (TRaCE)

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.

As a member agency, BOE investigators are assigned to both the Northern and Southern California [TRaCE](#) task forces to collaborate on criminal investigations where there is a BOE criminal tax evasion nexus. In fiscal year 2016-17, the BOE received 211 complaints through the central intake system resulting in 78 complaints triaged to outside agencies. Fiscal year 2016-17 TRaCE activities included the service of 51 search warrants, 86 grand jury subpoenas, and 18 arrests.





# TAXPAYER and FEEPAAYER RESOURCES





A goal of the BOE is to maximize voluntary compliance by increasing the percentage of taxpayers and fee payers who file and pay accurately and on time. The agency strives to provide the tools, information, and customer service necessary to help taxpayers and fee payers understand and fulfill their tax and fee obligations. To accomplish this, the BOE offers a full range of services tailored to the diverse needs of the state's businesses—from 24-hour electronic services to personal assistance with tax compliance questions.

## RESOURCES AND ASSISTANCE

### CUSTOMER SERVICE CENTER: 1-800-400-7115 (TTY:711)

In fiscal year 2016-17, the BOE's Customer Service Center received more than 550,000 calls from the general public, tax practitioners, taxpayers, and fee payers. Ninety-two percent of callers spoke directly with a representative for assistance on program related questions, account maintenance, and assistance with BOE's online services. Callers experienced an average wait time of 113 seconds, which was a slight increase from the previous year. In addition to handling hundreds of thousands of calls, the Customer Service Center also received more than 14,000 general tax question emails from website visitors.

### BOE WEBSITE - [www.boe.ca.gov](http://www.boe.ca.gov)

Striving to make doing business in California as easy as possible, the BOE's extensive website provides forms, publications, statutes, regulations, reports, tax news, meeting agendas, and special features for taxpayers and fee payers, local governments, and the general public. In the past year, the website's event registration function was updated to provide more features to improve the overall taxpayer experience. Tax practitioners can now find useful resources centrally located on a new webpage. Unique site visitors to the BOE website rose to more than 15.1 million in fiscal year 2016-17.

The website continues to offer translated material in four core languages: Spanish, Chinese, Korean, and Vietnamese. The most frequently requested publication on sales tax, publication 33, *Making Sales in California*, is available in 19 additional languages.

The BOE redesigned two major sections to the website and added 330 new webpages in fiscal year 2016-17.

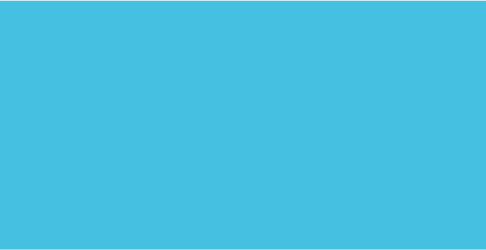
### PUBLICATIONS, SPECIAL NOTICES, EBLASTS, AND NEWSLETTERS

In fiscal year 2016-17, tax program and communications experts created and updated various publications, special notices, forms, posters, flyers, and eblasts. The agency also published four tax newsletters that serve more than one million readers: the *Tax Information Bulletin*, *Economic Perspective*, *Special Taxes and Fees Newsletter*, and *News for Tax Practitioners*.

#### New and Revised Publications

The BOE revised 97 publications, created 31 eblasts, and distributed 48 special notices. Two new publications were developed in fiscal year 2016-17:

- Publication 473, *Cigarette and Tobacco Products Retailers: Things to Know Before You Buy Products*, is a brochure that provides information on resources important to cigarette and tobacco products retailers.
- Publication 577, *Nonprofit and Religious Organizations and Alcohol Sales*, provides information on seller's permit requirements for nonprofit organizations.



### Law Guides

In fiscal year 2016-17, the BOE updated the Business Taxes and Property Taxes Law Guides online, in print, and in DVD formats. Both law guides are free and conveniently located on the BOE website. A charge remains for the print and DVD versions of the guides.

### Translated Forms and Publications

The BOE is committed to the education of all California taxpayers and fee payers, including non-English speakers, to help them understand tax laws and to improve voluntary compliance.

To promote tax compliance and better serve the needs of California's diverse business community, the BOE has information in 23 languages and has many documents translated into Chinese, Korean, Spanish, and Vietnamese, our core, or most commonly requested, languages.

In fiscal year 2016-17, the BOE revised 12 existing non-English publications. The BOE also translated a special notice into Spanish and posted it on the BOE website. A listing of all translated forms and publications is available on our website.

### TAXPAYER AND PUBLIC OUTREACH

Keeping up with changing tax laws can be challenging for any business. The BOE is dedicated to educating taxpayers and fee payers using services the agency provides including seminars, interactive learning opportunities, and online classes, videos, tutorials, and industry tax and fee guides.

### Interested Parties Meetings

The BOE hosts Interested Parties meetings to work with and seek comments and suggestions from stakeholders to resolve as many issues as possible regarding proposed regulatory changes before seeking authorization to begin rulemaking. The Business Tax and Fee Department hosted 13 interested parties meetings in fiscal year 2016-17 including ones to clarify:

- The application of tax to alteration of new and used garments;
- The application of tax to meals, food, and beverages sold by restaurants leasing tribal lands;
- The provisions of AB 2153, the Lead-Acid Battery Recycling Act of 2016; and
- The provisions of Proposition 56, the California Healthcare, Research and Prevention Tobacco Tax Act of 2016.

In fiscal year 2016-17, the BOE offered a variety of in-person training seminars and classes to the public.

- 17 Small Business Seminars which are free, one-stop-shop tax/business events that bring important tax compliance information to taxpayers and tax practitioners throughout the state. Other federal, state, and local agencies provide valuable guidance to those attending the seminars and exhibitions.
- 3 Veteran Small Business Seminars focusing on veterans who either owned a business or hoped to start one. Representatives from the BOE, [Employment Development Department \(EDD\)](#), [Franchise Tax Board \(FTB\)](#), [U.S. Department of Veterans Affairs \(VA\)](#), [Office of Small Business Administration](#), and the nonprofit [Women Veterans Alliance](#) conducted presentations and answered audience questions. Topics included contracts with the State of California, veterans' business exemptions, and the Work Opportunity Tax Credit.
- 7 Business Resource Seminars which also bring tax compliance information and resources to taxpayers and tax practitioners. Attendees obtained individual assistance and materials at tax agency exhibits and attended classes on common tax subjects.
- 1 Women Business Owners Conference that emphasized "Getting Your Business in Balance" and offered smart tax tips for a healthy business.
- 7 Nonprofit, Exempt, and Faith-Based Organizations Seminars where BOE sales and use tax and property tax experts as well as representatives of the Office of the Attorney General (AG), the Employment Development Department (EDD), the Franchise Tax Board (FTB), and the [Internal Revenue Service \(IRS\)](#) provided compliance information to the audience.
- 11 Cigarette and Tobacco Products Seminars for Retailers which introduced the retailers to the legal requirements as well as their responsibilities as vendors of cigarettes and tobacco products in California.
- 2 Webinars where BOE subject matter experts shared integral information to small businesses. During the webinar, participants could email questions to a mailbox and receive answers directly from the instructors. Topics of the webinars were:
  - Tips for Small Businesses to Register, File, and Pay
  - Keep Your Business on Track with Accurate Recordkeeping
- 3 Telephone Townhalls that enabled the BOE to interact with and educate taxpayers and fee payers over the phone assisted by experts who shared their knowledge and answered subject-related questions posed by townhall participants. Topics of the townhalls were:
  - How to Prepare for a Restaurant Audit
  - State of Federal Tax Reform
  - Food and Beverage Industry Surcharge
- 1 Winemakers Small Business Seminar which covered wine specific programs concerning taxes and exemptions for the wine industry including the manufacturers and research and development exemptions, agricultural exemptions, and beverage/tasting room tax issues. Presenters from the BOE were joined by the EDD, and the [U.S. Department of Agriculture](#).
- 1 California Business International and Domestic Trade Symposium which provided an opportunity for California business owners to promote trade, investment, and travel opportunities. Attendees also learned how to comply with relevant tax and trade laws.

- 1 Technology and Taxes Symposium that discussed current legislation, existing case law, and the risks, challenges, and opportunities the technology industry faces in the future. The symposium was an information-packed event providing businesses an opportunity to interact with, and provide input to, the experts and legislators who influence and make the laws. The symposium's goal was to educate and encourage aspiring entrepreneurs and small technology-based business owners.
- 1 Student Business Development Symposium which provided a glimpse of the business world to high school students with the hopes of stimulating their interests in opening their own small businesses as a career.
- 16 [International Fuel Tax Agreement \(IFTA\)](#) workshops that helped new IFTA carriers understand their rights and responsibilities as an IFTA licensee. More than 350 IFTA carriers attended the workshops offered in fiscal year 2016-17.
- 77 Basic Sales and Use Tax Classes (62 conducted in English, 11 in Spanish, three in English/Spanish combination class, and one in Chinese [Mandarin]), that provided participants an overview of the correct application of sales tax, assisted in the preparation of sales and use tax returns, and provided information about filing online.
- 11 Tax Return Preparation Classes (nine conducted in English, two conducted in Spanish) that gave participants an overview of the correct preparation of sales and use tax returns, and provided information about filing online.
- 20 Online Filing Clinics (one conducted in Spanish, and 19 conducted in a combination of English and Spanish) that offered business owners assistance with filing their returns online.

### Speakers Bureau

The Outreach Services Division continued its outreach efforts to business groups by coordinating speakers for approximately 96 programs presented to professional societies, industry and trade groups, governmental organizations, and local schools statewide. Staff members are available to provide bilingual seminars for business owners in Chinese, Japanese, Korean, Spanish, Thai, and Vietnamese.

### ONLINE EDUCATIONAL AND LEARNING PRODUCTS

In an effort to expand educational opportunities for taxpayers and fee payers, the BOE offers a variety of online educational products. This is a cost-effective way for taxpayers and fee payers to learn about their tax and fee obligations.

#### Online Seminars, Videos, Tutorials, and Guides

The online seminars webpage offers videos, tutorials, and guides. The convenient, tab-based format of the webpage divides the topics into general areas of interest. These online resources allow for a self-paced format that is available 24-hours a day.

The videos provide information on various topics including sales and use tax, online services, registration, returns, payments, taxpayer rights, appeals hearings, and the BOE's data portal, [OPEN BOE](#).

#### Online Tutorial for Sales and Use Tax

As an alternative to attending an instructor-led Basic Sales and Use Tax Class, an online tutorial is available in English, Spanish, Chinese, Korean, and Vietnamese. The tutorial provides taxpayers and fee payers the same information as the instructor-led class but in a self-paced environment.



### Alternative Online Cigarette and Tobacco Products Class

For those in California's more remote areas who may find it difficult to attend an instructor-led class, the BOE offers an online tobacco class for retailers, wholesalers, and distributors. These online seminars provide a quick and easy way for retailers, wholesalers, and distributors to understand their legal requirements relating to sales of all tobacco products. Changes in tobacco laws, such as the inclusion of electronic smoking devices that contain nicotine in the definition of a "tobacco product," are covered in these educational seminars. The online seminars provide the viewer the ability to submit topic-related questions directly to the BOE via email for quick responses.

### New Industry and Tax and Fee Guides

Industry guides are a one-stop-shop for owners and operators looking for relevant information on key tax and fee issues. These guides are a source of basic information that complement the BOE's many online publications. Eight new industry and tax and fee guides debuted in fiscal year 2016-17. These new industry guides are:

- *Beer Brewers and Distributors*
- *Cigarette and Tobacco Products*
- *Distillers and Distributors of Distilled Spirits*
- *Home-Based Businesses*
- *Lead-Acid Battery Fees*
- *Purchasers of Vehicles, Vessels, and Aircraft*
- *Regional Railroad Accident Preparedness and Immediate Response Fee*
- *Winemakers and Distributors*

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## PUBLIC CONTACT

### MEDIA

The BOE's Office of Public Affairs issued 38 news releases in fiscal year 2016-17, and made daily contact with print, radio, and television reporters responding to more than 288 media inquiries. The official BOE spokespeople were quoted in newspapers across the state and nation, and BOE programs were featured in news and consumer report broadcasts on television and radio. The Office of Public Affairs also facilitated coverage of new BOE programs and regulatory issues.



## BOE EMPLOYEE EVALUATIONS

To ensure quality service while meeting the requirements of the Taxpayers' Bill of Rights, the BOE managers and supervisors evaluate the public contact skills of BOE employees. Each employee performance report and annual review must include the supervisor's comments regarding the employee's public contacts, whether those contacts are made in person, in writing, or by telephone. The Taxpayers' Rights Advocate confirms that the BOE does not evaluate individual offices or employees based on the amount of revenue they assess or collect.

## ONLINE SERVICES SURVEY

The BOE appreciates feedback. The online services survey allows users to provide valuable feedback about customer satisfaction. When asked how users would rate the online services, 67 percent marked "excellent" and more than 24 percent marked "good." This indicates an overall 91 percent favorable response.

## CUSTOMER SERVICE CENTER SURVEY

The Customer Service Center offers each caller the opportunity to express their opinion at the end of each call. Despite of increased call wait times, callers reported they were able to reach an agent in a timely manner. More than 93 percent of the callers who completed the survey indicated that the customer service representatives fully answered their questions.

## HOW ARE WE DOING? SURVEYS

The BOE is committed to providing top-quality public service. Another instrument to gauge public satisfaction is the *How Are We Doing?* survey, available in field offices and online. This survey is designed to capture taxpayers' feedback on the quality of customer service they experienced. The results help the BOE improve its overall level of service. In fiscal year 2016-17, 99.36% percent of the surveys showed positive ratings for BOE customer service.

The Statewide Compliance and Outreach Program (SCOP) has its own specialized *How Are We Doing?* survey. This survey is provided to taxpayers during visits by the SCOP team staff and is also available on the agency website. The BOE received more than 2,819 survey responses, with 100 percent of the respondents indicating they were pleased with the quality of public service under this program.

## AUDIT SURVEY

During a BOE tax and fee audit, field auditors are expected to adhere to the highest ethical and professional standards, and to conduct themselves in a professional manner. The auditors are also expected to administer the Sales and Use Tax Law in a fair and uniform manner. Following an audit, taxpayers are encouraged to provide their comments by completing and returning an audit survey form. Survey responses provide valuable information on the effectiveness of the audit program and help the BOE improve procedures to better serve the business community and taxpayers.

When individuals express dissatisfaction, make complaints, or raise a concern regarding an employee or service, the BOE makes every attempt to contact the individual and address the issues raised. BOE staff members work closely with the Taxpayers' Rights Advocate Office to help taxpayers and fee payers who have not been able to resolve matters through the normal channels.

Overall, taxpayers and fee payers are satisfied with the quality and efficiency of the service they receive and the professionalism and courtesy extended to them by BOE staff. The agency receives many unsolicited letters each year from taxpayers and fee payers who write to thank staff members for their assistance.



## TAXPAYER ASSISTANCE

### TAXPAYERS' RIGHTS ADVOCATE OFFICE

Consistent with the California Taxpayers' Bill of Rights, the [Taxpayers' Rights Advocate](#):

- Resolves taxpayer and feepayer complaints or problems when normal channels do not work;
- Monitors BOE programs for compliance with the [Taxpayers' Bill of Rights](#);
- Recommends new or revised policies and procedures;
- Ensures taxpayer and feepayer educational materials are clear and understandable; and
- Coordinates annual Business and Property [Taxpayers' Bill of Rights](#) hearings to provide taxpayers and feePAYERS the opportunity to express their concerns and suggestions directly to the Board Members.

In fiscal year 2016-17, the Taxpayers' Rights Advocate Office assisted 898 business owners and individuals and worked closely with BOE employees to implement a number of its recommendations for improving taxpayer compliance, easing the burden of compliance, and facilitating uniform and fair administration of the law. This year's accomplishments are summarized in the [Taxpayers' Rights Advocate's 2016-17 Property and Business Taxes Annual Report](#). The report, available on the BOE's website, describes the Taxpayers' Rights Advocate Office's involvement in important new projects to assist taxpayers and feePAYERS, identifies work in process, contains examples of services provided to taxpayers and feePAYERS, and summarizes taxpayer contacts with the Taxpayers' Rights Advocate Office.





### TAX APPEALS ASSISTANCE PROGRAM

The Tax Appeals Assistance Program (TAAP), managed by the Taxpayers' Rights Advocate, provides free legal assistance from law students to low-income and underrepresented individuals and businesses with certain types of income tax and business taxes appeals of less than \$30,000. The program is also available to assist businesses appealing BOE notices of Cigarette and Tobacco Products License Act violations. Seven law schools throughout California participate in the program, with students instructed by three BOE tax counsels.

In fiscal year 2016-17, TAAP:

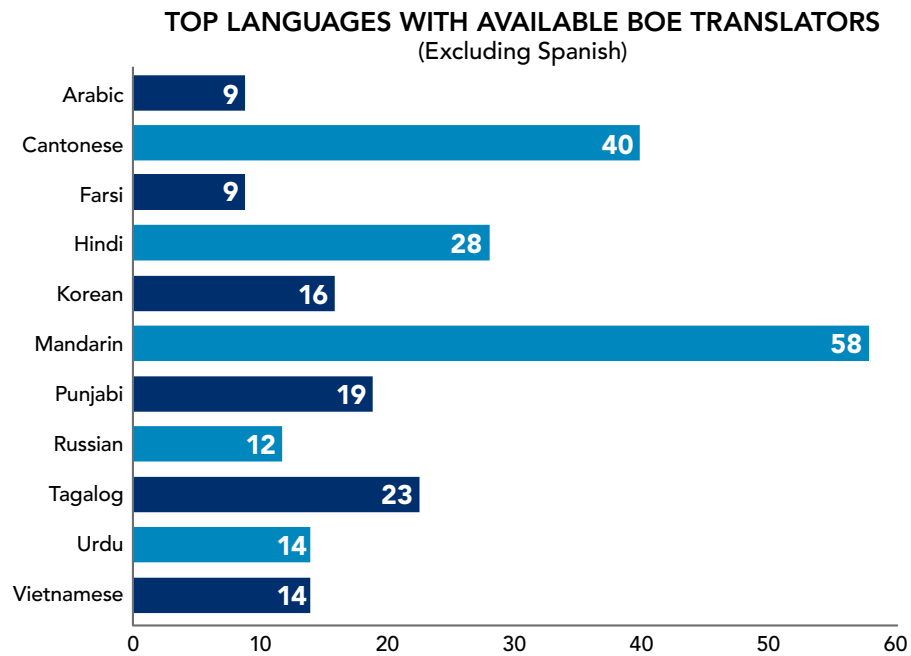
- Informed 682 individuals and businesses that they may qualify for the program;
- Accepted 248 cases into the program; and
- Resolved 252 cases.

The cases completed in fiscal year 2016-17 fulfilled the purposes of the program, which are to educate and assist taxpayers and fee payers in voluntarily complying with the law and to enhance the preparation and quality of the appeals coming before the Board Members. More information about the program can be found in the *Taxpayers' Rights Advocate's 2016-17 Annual Report*. Contact information is available on the BOE website through the Taxpayers' Rights Advocate page.



**INTERPRETER SERVICES**

As part of its commitment to provide effective tax administration and equitable access to BOE services, when requested the BOE provides interpreter services in its offices and at Board hearings. The BOE’s Equal Employment Opportunity Office maintains lists of bilingual employees who are available to assist taxpayers and fee payers or members of the public who have limited English proficiency. Currently, the lists include 437 employees, who together have fluency in 51 languages and dialects, including 323 Spanish translators. Other languages for which many translators are available are shown below.





# APPEALS



In fiscal year 2016-17, the Board played a significant role as the appellate body for the review of property, business, and income tax determinations. The Board Members heard appeals from taxpayers and fee payers regarding:

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

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

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## PROPERTY TAXES

The Board hears appeals concerning the assessed values of state-assessed properties, private railroad cars, and taxable properties owned by local governments but located outside their boundaries. The Board also hears appeals of timber tax decisions and welfare exemption claim denials. While disputes may be resolved through discussion with BOE staff, the Board makes the ultimate decision on all property tax appeals.

In fiscal year 2016-17, taxpayers filed 25 property tax appeals with the Board. A property tax appeals conference may precede the Board hearing on most appeals and is a means of clarifying and narrowing issues, exchanging information and records, and facilitating resolution of legal and valuation issues. The information elicited at the appeals conferences enables BOE attorneys to draft accurate and complete hearing summaries and recommendations for the Board's consideration in making decisions on these petitions.

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## SALES AND USE TAXES AND SPECIAL TAXES AND FEES

Taxpayers and fee payers who disagreed with staff decisions regarding taxes or fees they owed had the ability to seek resolution through the BOE's administrative appeals process. This formal appeals process generally began with filing a written appeal called a petition for redetermination. The appeal then progressed through a series of steps to a hearing before the Board.

Petitions for redetermination filed this year included:

- 1,005 sales and use tax appeals
- 295 consumer use tax appeals
- 16,509 special taxes and fees appeals\*

A taxpayer or fee payer whose appeal was denied by the Board had to pay the tax or fee determined to be due, but could thereafter file a claim for refund. If the Board denies that claim, the taxpayer could file a refund action in superior court.

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\*During fiscal year 2016-17, the BOE received 315 Water Rights appeals and two Childhood Lead Poisoning and Prevention Fee appeals. The [State Water Resource Control Board](#) is responsible for decisions related to the Water Rights appeals; the [California Department of Public Health](#) is responsible for decisions related to the Childhood Lead Poisoning and Prevention Fee appeals. [The California Department of Forestry and Fire Protection](#) is responsible for decisions relating to the Fire Prevention Fee appeals, which numbered 16,146 in fiscal year 2016-17. The remaining 46 appeals are related to other special tax and fee programs and are processed by BOE staff.





## CORPORATE FRANCHISE AND PERSONAL INCOME TAXES

In the fiscal year 2016-17, the Board served as the administrative appeal body over final actions by the [Franchise Tax Board \(FTB\)](#). In that capacity, the Board interpreted and applied the state’s franchise and income tax laws. The Board heard appeals filed under the following:

- Corporation Tax Law
- Personal Income Tax Law

If a taxpayer disagrees with a determination by the FTB, the taxpayer had the ability to appeal that determination to the Board. The BOE’s Appeals Division evaluated the issues of law and fact for each appeal based on the information provided by each party. The Board reviewed the staff evaluation and any additional information found in the written record or provided at a hearing and made a final determination. If the Board denied a taxpayer’s appeal, the taxpayer may file a refund action in superior court.

While any taxpayer dissatisfied with a final action of the FTB could file an appeal with the BOE, taxpayers who had paid their tax liability could choose instead to file an action in superior court. Consequently, the appeal figures in the following sections do not necessarily reflect the total number of California taxpayers who disputed a final action by the FTB in fiscal year 2016-17.



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## CORPORATE FRANCHISE AND PERSONAL INCOME TAX APPEALS

In fiscal year 2016-17, the BOE received 1,208 appeals filed under the Corporation Tax Law and the Personal Income Tax Law. The Board issued 260 decisions, considering 30 of the cases at oral hearings and deciding the remaining appeals based upon a review of the written record. Of the 260 decisions, 15 were petitions for rehearing.

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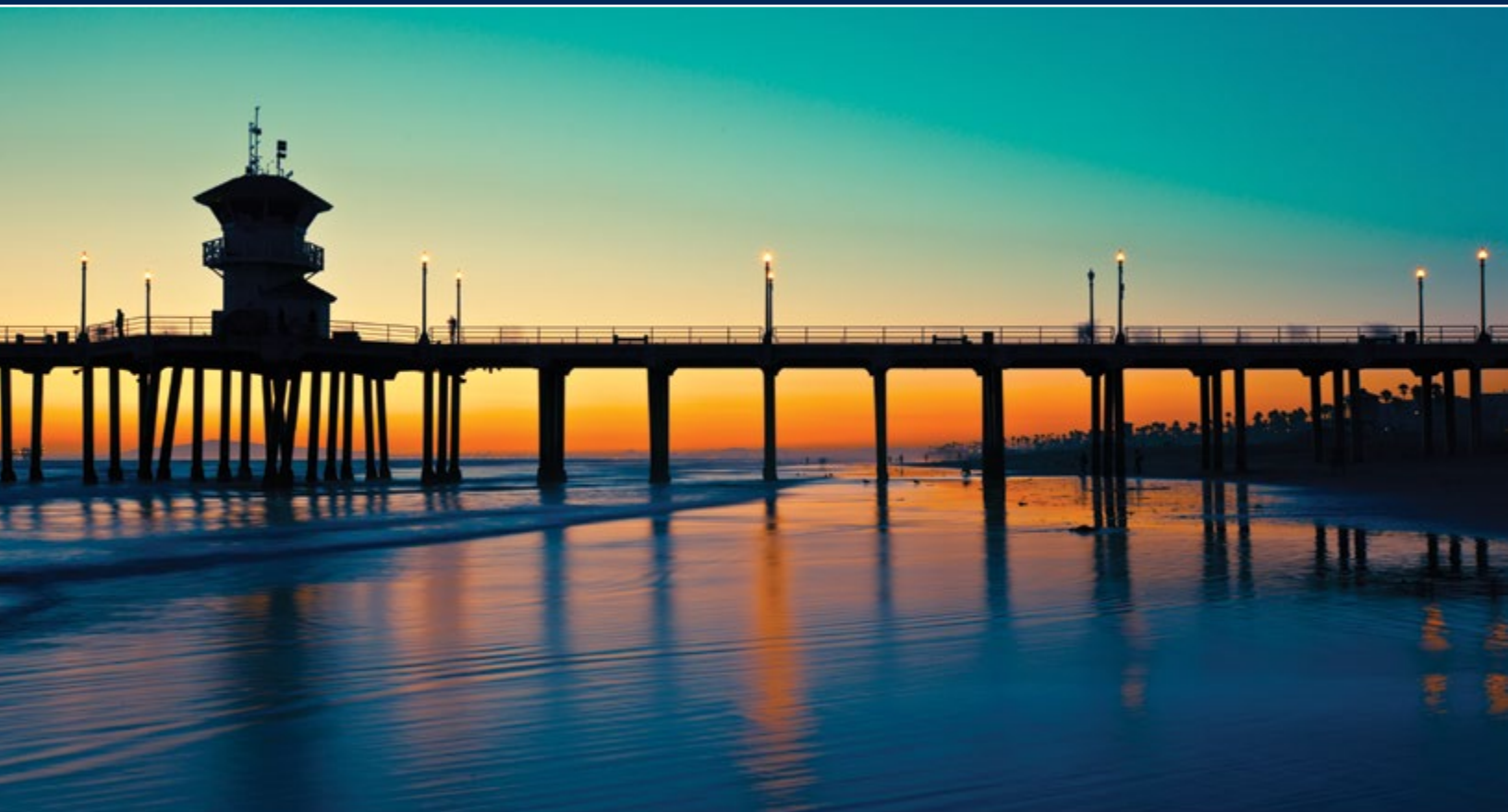
## SETTLEMENT AND OFFER IN COMPROMISE PROGRAMS

The BOE is authorized by law to settle certain tax and fee disputes when appropriate. In fiscal year 2016-17, staff settled 437 cases for a total settlement amount of \$104.3 million. This included 421 sales and use tax cases for a settlement amount of \$103.5 million, and 16 special tax or fee cases for a settlement amount of \$777,678.

The BOE also provides an Offer in Compromise program for certain tax and fee final liabilities. In fiscal year 2016-17, the Board approved 281 offers in compromise.



# REGULATIONS



The following lists the Board's adoption, amendment, and repeal of property tax rules, sales and use tax regulations, special taxes and fees regulations, and administrative regulations that became effective during fiscal year 2016-17. Please visit [www.boe.ca.gov](http://www.boe.ca.gov) for more information about these rules and regulations.

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## PROPERTY TAX

### [Rule 263](#), *Roll Corrections*

The amendments to Rule 263 incorporate Revenue and Taxation Code section 4831.1's provisions extending the time for correcting assessments related to the disabled veterans' exemption to an eight-year period after the making of the assessment being corrected. *Effective May 15, 2017.*

### [Rule 282](#), *Temporary Certification*; [Rule 283](#), *Permanent Certification*

The amendments to Rules 282 and 283 update the rules to reflect organizational changes in state government and clarify both rules' cross-references to other rules. *Effective October 26, 2016.*

### [Rule 462.040](#), *Change in Ownership-Joint Tenancies*

The amendments to Rule 462.040 clarify and better organize the rule and make it consistent with Revenue and Taxation Code sections 62.3 and 65. *Effective January 1, 2017.*

### [Rule 1051](#), *Extension of Time for Acts Required by Rule or Regulation*

The amendments to Rule 1051 replace the rule's reference to the Board's "secretary" with "Executive Director," clarify that Rule 1051 applies to extensions of the time fixed by a "rule," clarify Rule 1051's references to the Board and reference to "board of equalization," rename chapter 12 as "Racehorse Tax," and move Rule 1051 to new chapter 13, Miscellaneous. *Effective May 15, 2017.*

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## SALES AND USE TAX

### [Regulation 1506](#), *Miscellaneous Service Enterprises*

The amendments to Regulation 1506 update the name of the entity within the Department of Consumer Affairs responsible for licensing persons who dispense hearing aids. *Effective July 27, 2016.*

### [Regulation 1532](#), *Teleproduction or Other Postproduction Service Equipment*; [Regulation 1533.1](#), *Farm Equipment and Machinery*; [Regulation 1533.2](#), *Diesel Fuel Used in Farming Activities or Food Processing*; [Regulation 1534](#), *Timber Harvesting Equipment and Machinery*; [Regulation 1535](#), *Racehorse Breeding Stock*; [Regulation 1598](#), *Motor Vehicle and Aircraft Fuels*

The amendments to Regulations 1532, 1533.1, 1533.2, 1534, 1535, and 1598 make them consistent with the expiration of the one-quarter percent tax imposed by section 36 of article XIII of the California Constitution. *Effective March 9, 2017.*

### [Regulation 1597](#), *Property Transferred or Sold by Certain Nonprofit Organizations*

The amendments to Regulation 1597 make the regulation consistent with the enactment of Revenue and Taxation Code (R&TC) section 6018.10. R&TC section 6018.10 provides that under specified circumstances an all-volunteer fire department is a consumer, not a retailer, of all tangible personal property sold by it at retail in this state. *Effective August 31, 2016, and December 8, 2016.*



**Regulation 1668, Sales for Resale**

The amendments to Regulation 1668 clarify that a sale or purchase of counterfeit goods by a convicted seller or purchaser is subject to tax, regardless of whether the sale or purchase was for resale. *Effective July 1, 2016.*

**Regulation 1698, Records**

The amendments to Regulations 1698 define the term electronic cash register, update the terminology used to refer to electronic records, and clarify taxpayers' record retention requirements. *Effective October 1, 2016.*

**Regulation 1702.5, Responsible Person Liability**

The amendments to Regulation 1702.5 clarify and provide guidance regarding the Board's historical interpretations of R&TC section 6829 and the regulation. *Effective April 1, 2017.*

**Regulation 1703, Interest and Penalties**

The amendments to Regulation 1703 incorporate the repeal and addition of section 6591.6 to the Revenue and Taxation Code regarding electronic payments made one day late. *Effective June 19, 2017.*

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**SPECIAL TAXES AND FEES**

Emergency Telephone Users Surcharge **Regulation 2401, Definitions**; Emergency Telephone Users Surcharge **Regulation 2413, Exemptions from Surcharge**; Emergency Telephone Users Surcharge **Regulation 2422, Returns, Reporting, and Payment**

The amendments to Regulations 2401 and 2422 clarify direct sellers' prepaid mobile telephony service surcharge reporting requirements. The amendments to Regulation 2413 make it consistent with guidance from the U.S. Department of State, Office of Foreign Missions. *Effective July 1, 2016.*

Prepaid Mobile Telephony Services **Regulation 2460, Administration**; Prepaid Mobile Telephony Services **Regulation 2461, Exemptions, Deductions, Credits, and Specific Applications of Tax**; Prepaid Mobile Telephony Services **Regulation 2462, Refunds of Excess Charges Collected**

The Board adopted Regulations 2460, 2461, and 2462 to implement, interpret, and make specific the Prepaid Mobile Telephony Services Surcharge Collection Act's and the Local Prepaid Mobile Telephony Services Collection Act's statutes regarding the application of the prepaid mobile telephony services (MTS) surcharge and local charges to the purchase of prepaid MTS. *Effective January 11, 2017.*

Cigarette and Tobacco Products Tax **Regulation 4076, Wholesale Cost of Tobacco Products**

The Board adopted Regulation 4076 to clarify the meaning of the "wholesale cost" of tobacco products other than cigarettes as defined in R&TC section 30017. *Effective October 1, 2016.*

Special Taxes Administration- Miscellaneous **Regulation 4901, Records**

The amendments to Regulation 4901 update the definition of applicable tax laws, define the term electronic cash register, update the terminology used to refer to electronic records, and clarify taxpayers' record retention requirements. *Effective October 1, 2016.*

## ADMINISTRATIVE

Rules for Tax Appeals [Regulation 5332](#), *Time of Filing of Application*

The amendments to Regulation 5332 makes it consistent with the amendment to R&TC section 1840, which changed the deadline to file applications for review of assessments of taxable publicly owned property. *Effective June 14, 2017.*







# LEGISLATION



The following lists BOE-related legislation enacted during fiscal year 2016-17. Please visit [www.boe.ca.gov](http://www.boe.ca.gov) for more information.

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## PROPERTY TAX LEGISLATION

- *Enforceable Restrictions: Government Property Acquisitions*

Requires contracts with governmental agencies restricting property use for affordable owner-occupied housing to be recorded and requires public agencies to notify the county assessor when it intends to acquire taxable property.

[Assembly Bill 2450](#), Chapter 300, Statutes of 2016, effective January 1, 2017

- *Community Land Trusts*

Allows assessors to consider Community Land Trust imposed enforceable restrictions when setting the assessed values of homes sold to low and moderate income families with a 99-year ground lease and limited equity due to resale price restrictions.

[Assembly 2818](#), Chapter 701, Statutes of 2016, effective September 27, 2016

- *Welfare Exemption: Low-Income Housing*

Effectively increases from \$2,000,000 to \$10,000,000 the exemption cap applicable to certain low-income rental housing owned by nonprofit organizations under the welfare exemption and imposes additional reporting requirements. Also allows cancellations of outstanding taxes related to the exemption cap for the period between January 1, 2013, and January 1, 2017.

[Senate Bill 996](#), Chapter 836, Statutes of 2016, effective January 1, 2017

- *Disabled Veterans' Exemption: Eligibility by Discharge*

Expands disabled veterans' exemption eligibility by changing the requirement that a veteran's character of discharge from military service be under "honorable" conditions to a lower threshold of under "other than dishonorable" conditions. Also extends the use of roll corrections to process disabled veteran related refunds to eight years.

[Senate Bill 1458](#), Chapter 871, Statutes of 2016, effective September 30, 2016

- *Property Tax Omnibus Bill*

Removes from statute the contents of certain exemption renewal forms and extends the deadline for local governments to file appeals with the BOE related to taxable government-owned property ("Section 11" appeals) from July 20 to November 30.

[Senate Bill 1480](#), Chapter 116, Statutes of 2016, effective January 1, 2017





## SALES AND USE TAX LEGISLATION

- Medical Cannabis Dispensaries: Electronic Funds Transfer Exclusion*

Until January 1, 2022, allows medical cannabis dispensaries to pay sales and use taxes by means other than an electronic funds transfer.

[Assembly Bill 821](#), Chapter 811, Statutes of 2016, effective January 1, 2017
- Business Taxes: Disaster Relief*

Authorizes the BOE to extend for up to three months the time for a taxpayer or feepayer to file a tax return or report, or to pay the tax, in the case of a disaster.

[Assembly Bill 1559](#), Chapter 257, Statutes of 2016, effective September 9, 2016
- BOE-sponsored Claim for Refund: Timely Filed Claims*

Allows a taxpayer or feepayer making installment payments on an outstanding tax liability to file a single claim for refund to cover the period.

[Assembly Bill 1856](#), Chapter 98, Statutes of 2016, effective January 1, 2017
- BOE-sponsored Automobile Dismantler Task Force*

Requires the Department of Motor Vehicles to collaborate with the BOE, California Environmental Protection Agency, Department of Toxic Substances Control, State Water Resources Control Board, Department of Recycling and Recovery, and the Air Resources Board, to review and coordinate enforcement and compliance activity related to unlicensed and unregulated automobile dismantling, including resulting tax evasion, environmental impacts, and public health impacts.

[Assembly Bill 1858](#), Chapter 449, Statutes of 2016, effective January 1, 2017
- BOE-sponsored Business Taxes: Prorated Interest*

Reinstates expired provisions that, until January 1, 2016, allowed the BOE, under specified circumstances, to prorate the interest due on a sales and use tax electronic payment made one day late where the BOE Members, meeting as a public body, found that it would be inequitable to impose interest for the entire month.

[Assembly Bill 2201](#), Chapter 264, Statutes of 2016, effective January 1, 2017

## SPECIAL TAXES AND FEES LEGISLATION

- *Business Taxes: Disaster Relief*

Authorizes the BOE to extend for up to three months the time for a taxpayer or feepayer to file a tax return or report, or to pay the tax, in the case of a disaster.

[Assembly Bill 1559](#), Chapter 257, Statutes of 2016, effective September 9, 2016

- *BOE-sponsored: Claim for Refund: Timely Filed Claims*

Allows a taxpayer or feepayer making installment payments on an outstanding tax liability to file a single claim for refund to cover the period.

[Assembly Bill 1856](#), Chapter 98, Statutes of 2016, effective January 1, 2017

- *Cigarette and Tobacco Products Tax: Unaffixed Cigarette Tax Stamps*

Makes it a crime for a person to possess, sell, or offer to sell, or buy or offer to buy, any “unaffixed” cigarette tax stamp and authorizes the BOE to seize and destroy these stamps aggregated for reuse purposes.

[Assembly Bill 1901](#), Chapter 662, Statutes of 2016, effective January 1, 2017

- *Lead-Acid Battery Fees*

Beginning April 1, 2017, imposes a \$1 fee on manufacturers and consumers of lead-acid batteries to fund a lead-acid battery recycling facility contamination cleanup program. Beginning April 1, 2022, the manufacturer fee expires and the consumer fee increases to \$2.

[Assembly Bill 2153](#), Chapter 666, Statutes of 2016, effective September 26, 2016, but fee operative April 1, 2017.

- *Business Taxes: Prorated Interest*

Reinstates expired provisions that, until January 1, 2016, allowed the BOE, under specified circumstances, to prorate the interest due on a tax or fee electronic payment made one day late where the BOE Members, meeting as a public body, found that it would be inequitable to impose interest for the entire month.

[Assembly Bill 2201](#), Chapter 264, Statutes of 2016, effective January 1, 2017

- *Cigarette and Tobacco Products Licensing Act: Retailer License Renewal*

Among other things, aligns a retailer’s license renewal date for each new additional retail location to a single date based on the same 12-month period beginning in the month the retailer obtained its first retail location license.

[Assembly Bill 2770](#), Chapter 699, Statutes of 2016, effective January 1, 2017





- *Fuel Taxes Increase*

Imposes an additional \$0.12 per gallon gasoline tax, changes the diesel fuel base rate to \$0.16 per gallon, and imposes an additional \$0.20 per gallon diesel fuel surtax. The fuel tax swap revenue neutrality adjustment expires, and the additional sales and use surtax on diesel fuel increases from 1.75 percent to 5.75 percent.

Beginning July 1, 2020, and annually thereafter, the gasoline and diesel fuel tax rates are adjusted for inflation.

[Senate Bill 1](#), Chapter 5, Statutes of 2017, effective April 28, 2017, but the tax increases operative November 1, 2017.

- *Cannabis Excise Tax and Cultivation Tax*

Among other things, this budget trailer bill:

- Imposes the 15 percent cannabis excise tax on the average market price, instead of the gross receipts of the retail sale, to be collected by a distributor from a cannabis retailer.
- Requires a distributor or a manufacturer to collect the cultivation tax from a cultivator, and a manufacturer to pay any cultivation tax collected from a cultivator to a distributor, and pay those taxes to the BOE.

[Senate Bill 94](#), Chapter 27, Statutes of 2017, effective June 27, 2017

- *Hazardous Waste Activity Fee: Flat-Rate Eliminated*

Eliminates the flat-rate hazardous waste application fee option for persons who apply with the Department of Toxic Substances Control (DTSC) for specified permits, and retains the reimbursement agreement between the DTSC and the applicant.

[Senate Bill 839](#), Chapter 340, Statutes of 2016, effective September 13, 2016, but fee changes apply to DTSC application received after April 1, 2016.

- *Prepaid Mobile Telephony Services (MTS) Surcharge: Cleanup Measure*

Among other things related to the prepaid MTS Collection Act, (1) makes conforming changes to seller debt provisions, (2) limits the circumstances under which a retail transaction is deemed to occur in this state based on a mobile telephone number, and (3) provides sellers with de minimis sales of prepaid MTS are not required to register with the BOE.

[Senate Bill 1481](#), Chapter 89, Statutes of 2016, effective January 1, 2017





# CALIFORNIA COURT DECISIONS



The following list summarizes the court decisions by the California Supreme Court and the Courts of Appeal impacting the BOE during fiscal year 2016-17.

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## CALIFORNIA SUPREME COURT DECISIONS

### *Weatherford v. City of San Rafael* (2017) 2 Cal.5th 1241

Resident's standing to bring an action under Code of Civil Procedure section 526a to restrain an illegal expenditure of county or city funds does not require payment of a property tax; an allegation that the plaintiff has paid an assessed tax to the defendant governmental entity is sufficient under section 526a.

### *Williams & Fickett v. County of Fresno* (2017) 2 Cal.5th 1258

Where a property tax assessment is challenged on the ground that the taxpayer does not own the property, a claim for refund and an application for assessment reduction must be filed and a final determination received in order to exhaust administrative remedies and permit an action in superior court.

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## CALIFORNIA APPELLATE DECISIONS

### *California State University, Fresno Association, Inc. v. County of Fresno, City of Fresno* (2017) 9 Cal.App.5th 250

The one-year filing period under R&TC section 5097, subdivision (a)(3)(A)(i), regarding a taxpayer's property tax refund claim against the county began to run when the county assessment appeals board made a final determination on the assessment reduction application and mailed a written notice of the determination to the taxpayer, not on a later date when the taxpayer paid the tax.

### *City of Big Bear Lake v. Cohen* (2017) 12 Cal.App.5th 922

It is unconstitutional for the state to withhold a city's local tax revenue under Health & Safety Code section 34179.6, subdivision (h), as a remedy for the city's failure to turn over its dissolved redevelopment agency's funds back to the state.

### *McClain v. Sav-On Drugs* (2017) 9 Cal.App.5th 684

Plaintiff-consumers did not have a direct cause of action to seek a refund of sales tax reimbursement paid on their purchases of diabetic supplies because (1) there was no prior determination by the Board of Equalization that plaintiffs were entitled to a refund on their purchases; (2) an action for refund of sales tax reimbursement was inconsistent with the existing tax refund remedies; and (3) plaintiffs were not without a remedy since they could request that the Board audit the retailers' practices, petition the Board to adopt, amend, or repeal the challenged regulation, and bring an action in court challenging the validity of that regulation. The California Supreme Court granted review of the appellate court's decision.





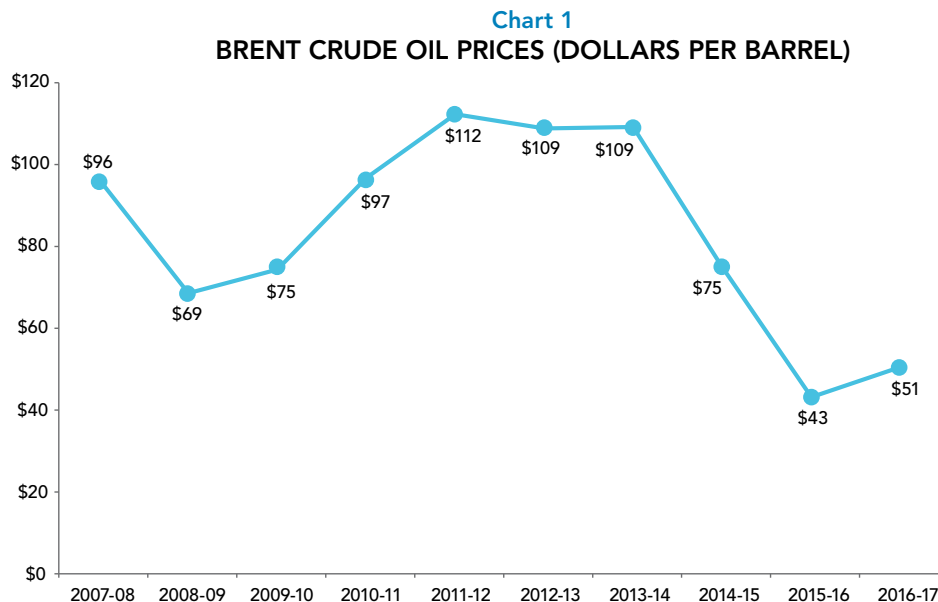
# ECONOMIC ANALYSIS



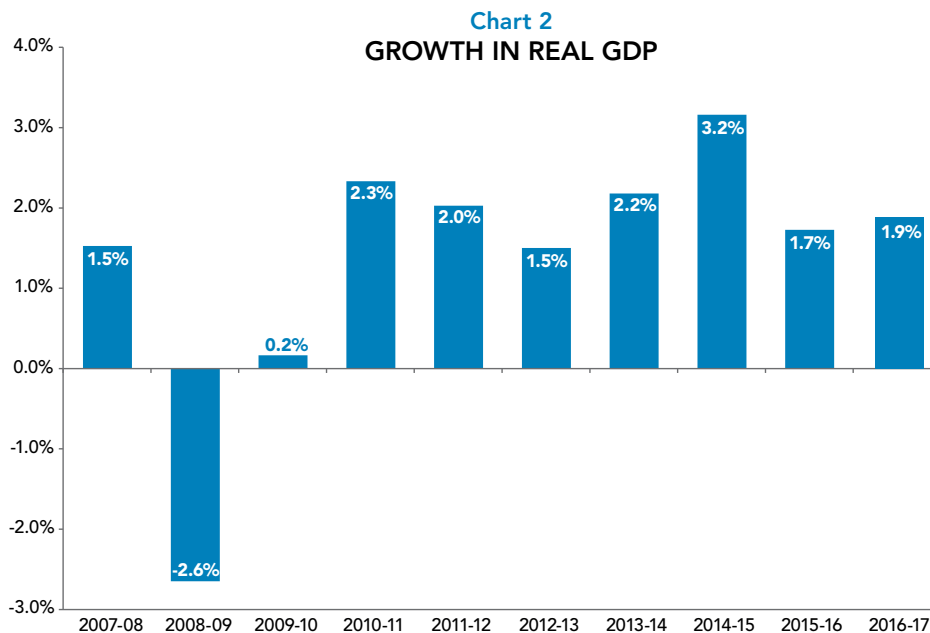
## NATIONAL ECONOMY

The U.S. economy in fiscal year 2016-17 was characterized by average economic growth, increasing employment, declining unemployment rates, average inflation, and rising, yet historically low interest rates. Other significant developments were:

- World crude oil prices jumped 18 percent in fiscal year 2016-17, resulting in correspondingly higher gasoline prices. Despite the increase, crude oil prices remain less than half the \$112 per barrel peak of fiscal year 2011-12, as shown in Chart 1.
- By many important measures, the California economy outpaced national growth in fiscal year 2016-17.
- California payroll employment rose 2.1 percent, faster than its historical average.
- California construction permit values and existing home prices increased over 2015-16.



In 2016-17, real U.S. gross domestic product (GDP) grew 1.9 percent, up slightly from 1.7 percent growth of the previous year (see Chart 2). Employment increased and the unemployment rate declined. The unemployment rate fell from 5.0 percent in fiscal year 2015-16 to 4.7 percent in 2016-17.



## GROSS DOMESTIC PRODUCT

Real GDP – the broadest measure of the nation’s output of goods and services – rose 1.9 percent in fiscal year 2016-17.

## REAL GDP BY SECTOR

Real personal consumption spending led economic growth, increasing 2.8 percent (See Chart 3). Fixed investment rose 1.9 percent, while both exports and imports increased. Government spending was essentially flat, as state and local government spending inched up 0.3 percent, while federal government spending declined 0.1 percent.

## CORPORATE PROFITS AND EMPLOYMENT

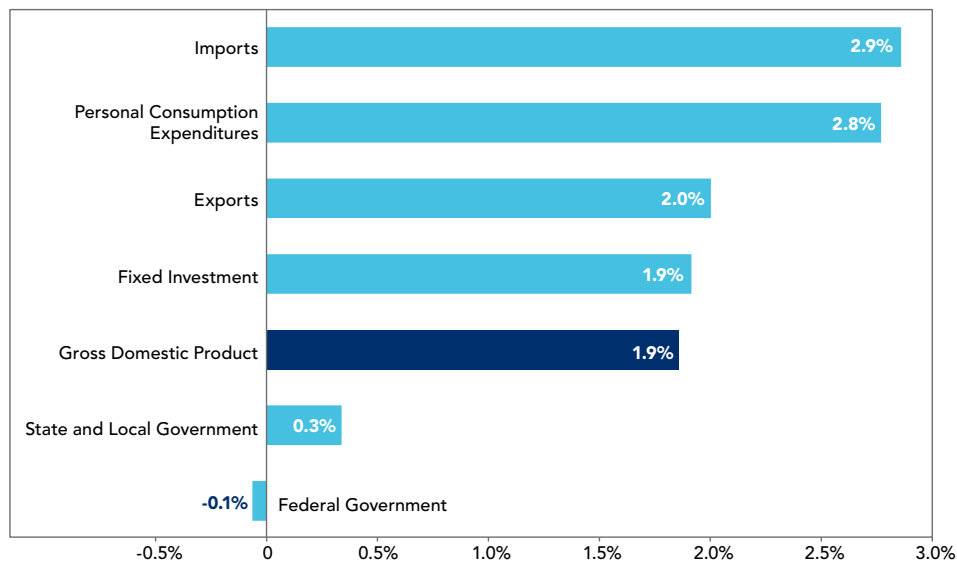
Profits and employment both increased along with the overall economy. U.S. corporate profits before taxes rose 7.3 percent in 2016-17. Profits were close to record levels. Along with the growth in overall real GDP, nonagricultural employment grew 1.6 percent.

## INTEREST RATES

The [U.S. Federal Reserve Board \(Fed\)](#) raised the federal funds rate three times during fiscal year 2016-17. By the end of the fiscal year, the target federal funds rate range was 1.00 to 1.25 percent. Three-month U.S. Treasury bill rates averaged 0.55 percent in fiscal year 2016-17, while ten-year U.S. Treasury bond yields averaged 2.10 percent. Despite the federal funds rate increases, long-term interest rates (ten-year U.S. Treasury bonds) were below their ten-year average of 2.70 percent.



**Chart 3**  
**GROWTH IN REAL GDP AND MAJOR COMPONENTS**



### CONSUMER PRICES

The U.S. consumer price index rose 1.9 percent in 2016-17, close to the ten-year average of 1.7 percent.

### HOUSING STARTS

About 1.20 million housing units were started in 2016-17, a 4.4 percent increase from 2015-16. Even though housing starts were higher, they remain below the 1.55 figure of fiscal year 2006-07, the year before the beginning of the Great Recession.

### FEDERAL BUDGET DEFICIT

Despite slightly faster economic growth than 2015-16, the federal budget deficit worsened, rising from \$522 billion in 2015-16 to \$710 billion in 2016-17.

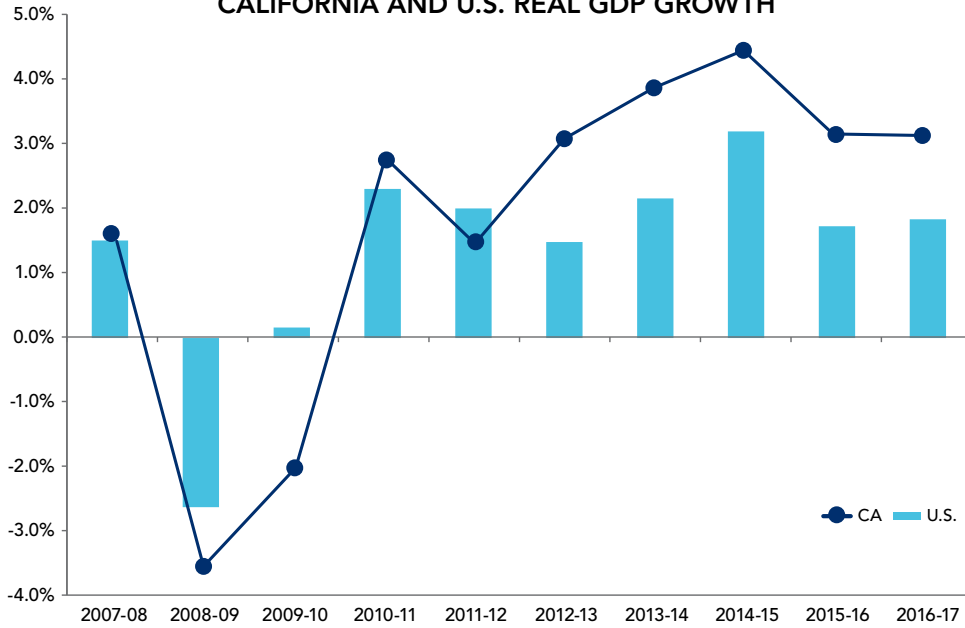
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## CALIFORNIA ECONOMY

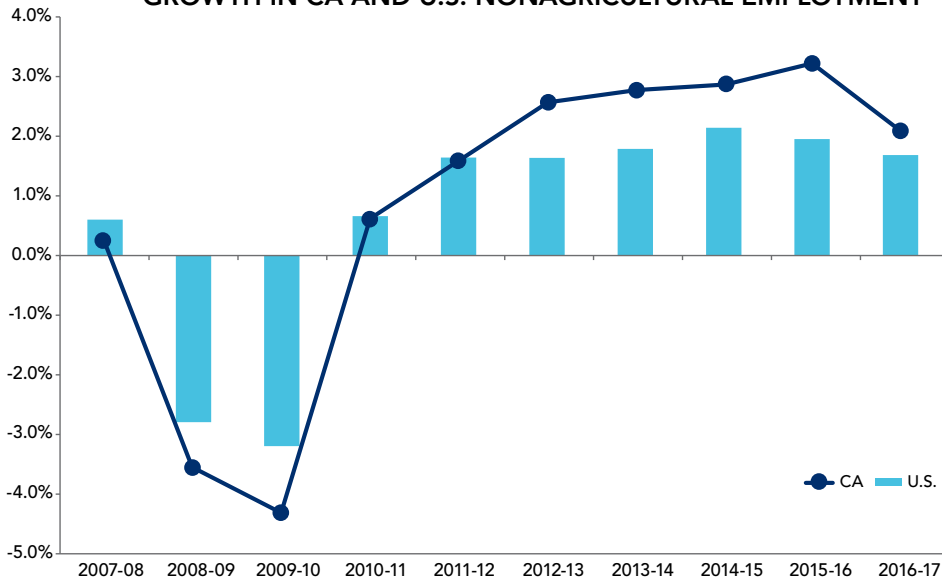
### CALIFORNIA REAL GDP

By some important measures, the California economy outpaced national growth in fiscal year 2016-17. As shown in Chart 4, real California gross domestic product rose 3.2 percent, while real U.S. GDP rose 1.9 percent. The state's nonagricultural employment rose 2.1 percent, faster than the 1.6 percent U.S. increase (Chart 5). California personal income increased 3.9 percent, above U.S. income growth of 3.0 percent.

**Chart 4**  
**CALIFORNIA AND U.S. REAL GDP GROWTH**



**Chart 5**  
**GROWTH IN CA AND U.S. NONAGRICULTURAL EMPLOYMENT**



**UNEMPLOYMENT RATE**

Because of strong growth in jobs, the California unemployment rate declined from 5.7 percent in 2015-16 to 5.1 percent in 2016-17. The rate is now very close to the 5.0 percent rate in fiscal year 2006-07, the last year prior to the start of the Great Recession (Chart 6).

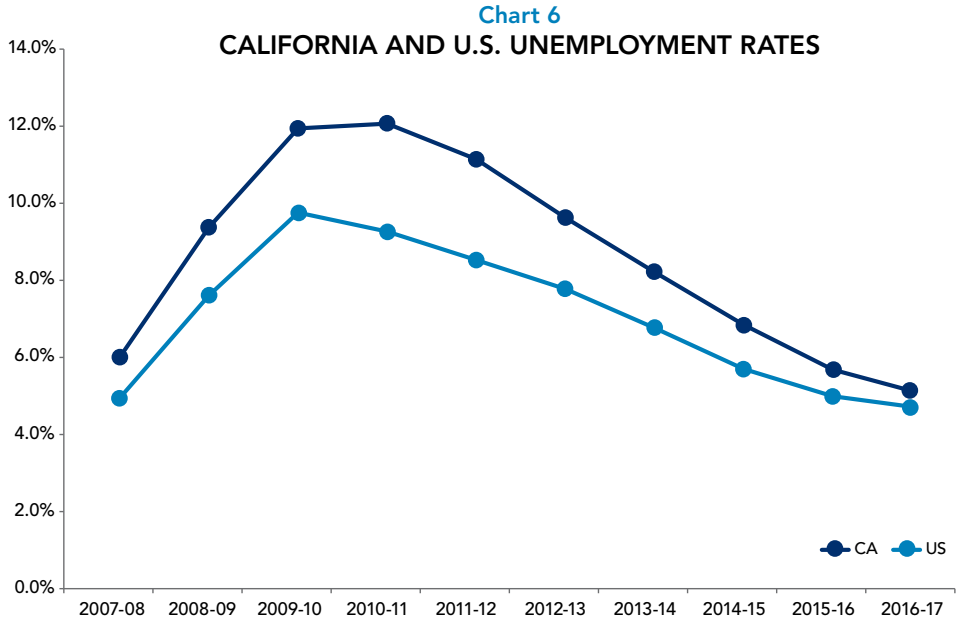
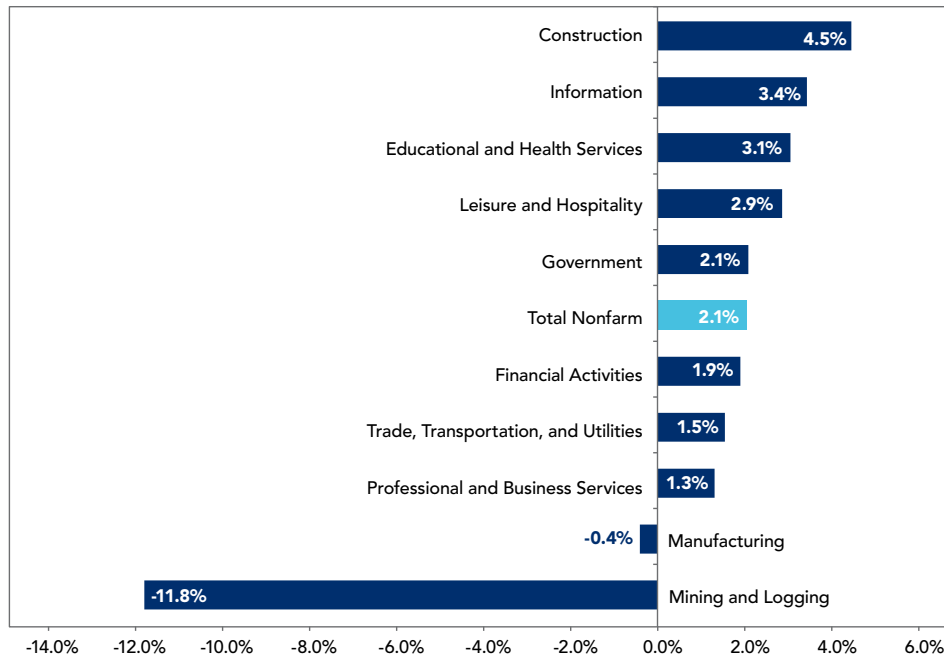




Chart 7

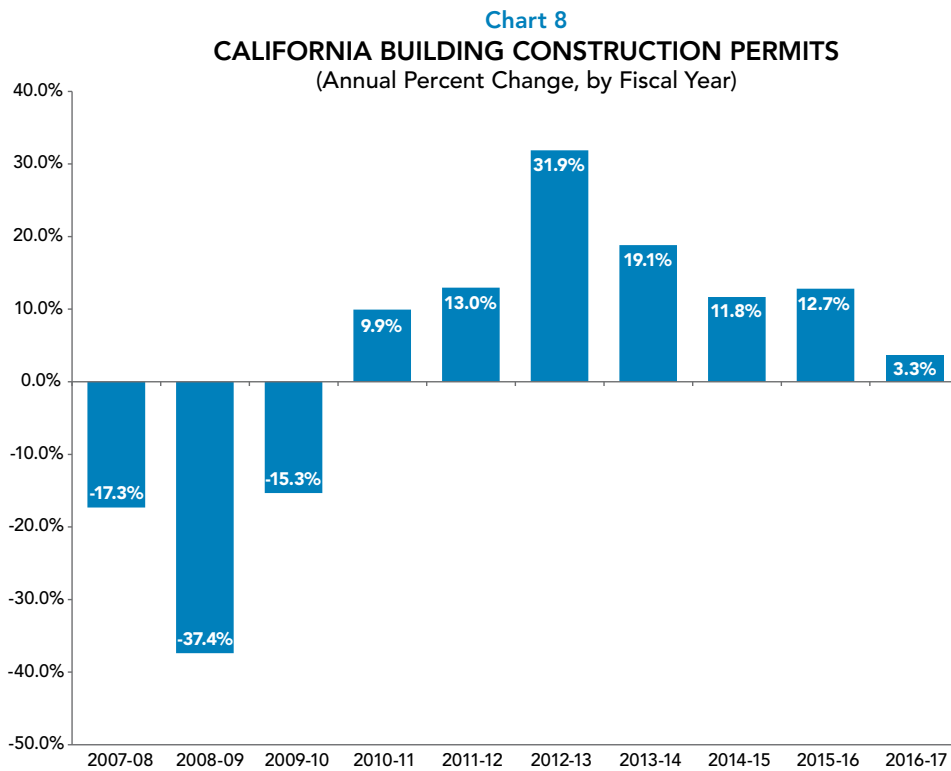
PERCENT CHANGES IN CALIFORNIA EMPLOYMENT IN FISCAL YEAR 2016-17



EMPLOYMENT

California nonagricultural employment strengthened 2.1 percent in fiscal year 2016-17, as payrolls rose by 335,000 jobs.

Construction led the gains in jobs in 2016-17, as shown in Chart 7. Other sectors with stronger than average job gains included information, education and health services, and leisure and hospitality.

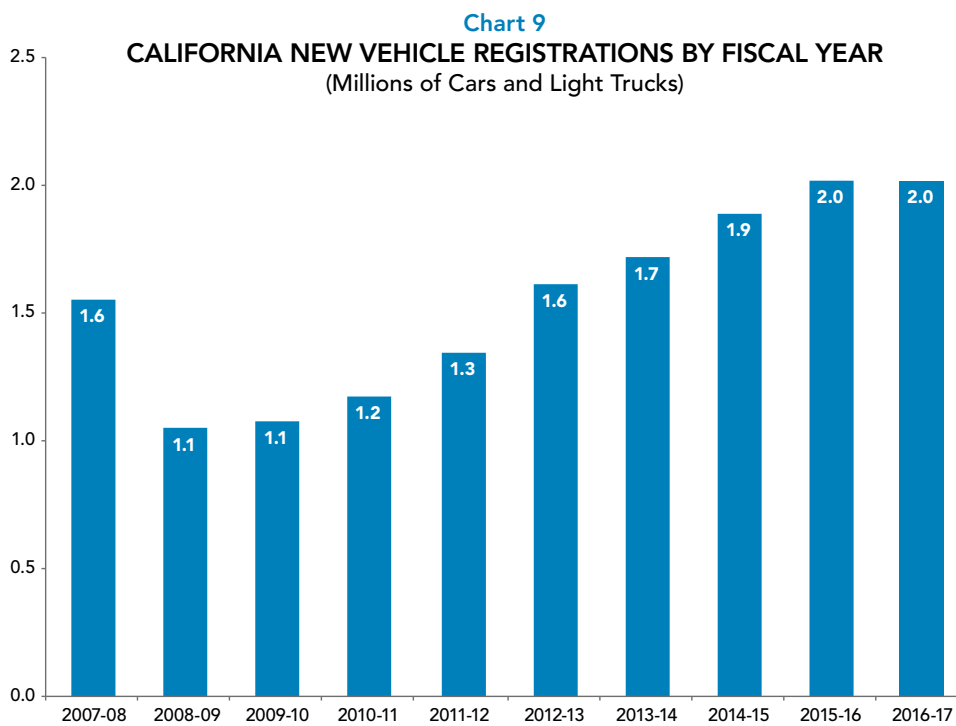


### BUILDING CONSTRUCTION AND HOME PRICES

As shown in Chart 8, the value of all private building construction permits issued in California rose by 3.3 percent in fiscal year 2016-17. Residential structure rose 10.2 percent, while nonresidential buildings declined 4.6 percent, following very strong growth in 2015-16. Even with several years of very strong growth, total construction permit values have not recovered to their 2005-06 peak levels. Total building permits in 2016-17 were 11 percent below those of 2005-06.

About 107,000 home building permits were issued in 2016-17, about 10 percent more than in 2015-16. This is the first year permits were over 100,000 units since 2006-07. Permits for both single family homes and multifamily units increased.

Median home prices averaged \$517,131 in 2016-17, rising 5.8 percent over the prior fiscal year. Despite the higher value, the May 2017 price was 7 percent below the May 2007 peak price of \$594,530.

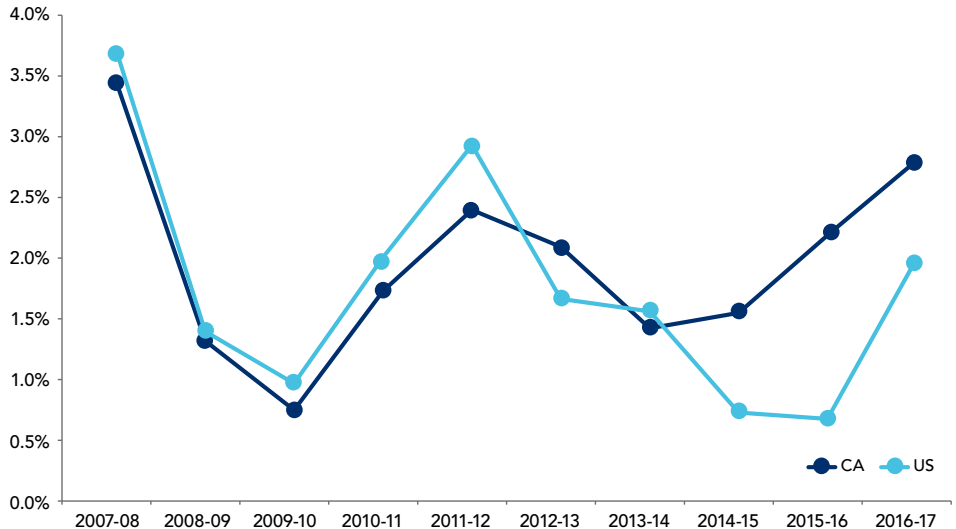


**VEHICLE REGISTRATIONS**

About 2.0 million new cars and trucks were registered in California in 2016-17, down about 1.7 percent over the previous year (See Chart 9). With strong economic growth and low interest rates, car and truck sales have been strong for several years.



Chart 10  
CHANGES IN CALIFORNIA AND U.S. CONSUMER PRICES



**CONSUMER PRICES**

California consumer prices for all urban consumers rose 2.5 percent in 2016-17 (See Chart 10). Prices for the nation as a whole rose less, 1.9 percent. Larger increases in California home prices were responsible for much of the difference between state and national consumer price index changes.

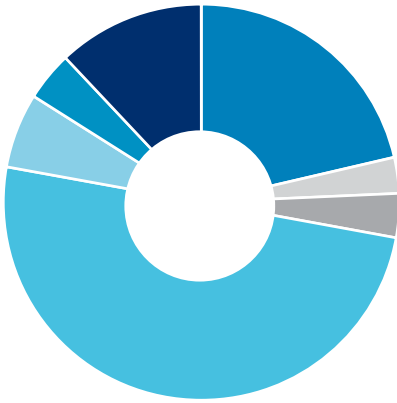


## COMPARISON OF REVENUES 2015-16 AND 2016-17

Tax/Fee	2016-17	Yr-to-Yr Chg	2015-16
Alcoholic Beverage Taxes	\$368,357,000	-0.1%	\$368,699,000
Cigarette and Tobacco Products Taxes	1,248,684,000	47.7%	845,636,000
Energy Resources Surcharge	72,280,000	-4.3%	75,541,000
<b>Environmental Taxes and Fees:</b>	<b>798,802,000</b>	<b>1.7%</b>	<b>785,109,000</b>
California Tire Fee	62,873,000	2.8%	61,131,000
Childhood Lead Poisoning Prevention Fee	21,246,000	2.8%	20,668,000
Electronic Waste Recycling Fee	71,847,000	15.3%	62,325,000
Hazardous Substances Taxes and Fees	92,963,000	7.4%	86,523,000
Integrated Waste Management Fee	50,547,000	5.1%	48,093,000
Lead-Acid Battery Fee	1,521	NA	-
Marine Invasive Species Fee	4,758,000	6.6%	4,462,000
Occupational Lead Poisoning Prevention Fee	3,472,000	2.5%	3,387,000
Oil Spill Prevention and Administration	45,880,000	1.9%	45,011,000
Fire Prevention Fee	81,479,000	-0.3%	81,728,000
Underground Storage Tank Maintenance Fee	347,452,000	-2.4%	355,902,000
Water Rights Fee	16,282,000	2.5%	15,880,000
<b>Fuel Taxes and Fees</b>	<b>4,871,350,000</b>	<b>-3.3%</b>	<b>5,039,373,000</b>
<b>Insurance Tax</b>	<b>2,277,030,000</b>	<b>-2.0%</b>	<b>2,324,577,000</b>
<b>Natural Gas Surcharge</b>	<b>654,994,000</b>	<b>0.7%</b>	<b>650,739,000</b>
<b>Property Taxes:</b>	<b>17,879,000</b>	<b>-3.4%</b>	<b>18,500,000</b>
Private Railroad Car Tax	9,169,000	-8.2%	9,991,000
Timber Yield Tax	8,710,000	2.4%	8,509,000
<b>Sales and Use Taxes and Fees:</b>	<b>53,826,843,000</b>	<b>-0.4%</b>	<b>54,054,768,000</b>
<b>Retail Sales Tax</b>	<b>53,436,672,000</b>	<b>2.0%</b>	<b>52,407,325,000</b>
City and County Taxes	6,677,197,000	21.2%	5,508,688,000
County Transportation Tax	1,669,305,000	3.2%	1,617,948,000
Fees	11,984,000	1.3%	11,831,000
Fiscal Recovery Fund Sales Tax	-	NA	963,111,000
Local Revenue Fund 2011	6,711,222,000	4.6%	6,413,958,000
Local Revenue Fund State Sales Tax	3,360,682,000	4.5%	3,214,844,000
Public Safety Fund Sales Tax	3,360,678,000	4.5%	3,214,844,000
Special District Taxes	6,324,383,000	1.8%	6,215,079,000
State Taxes	25,321,221,000	0.3%	25,247,023,000
Medi-Cal Managed Care Plans Sales Tax	390,171,000	-76.3%	1,647,442,000
Emergency Telephone Users Surcharge	78,704,000	-3.6%	81,606,000
Prepaid Mobile Telephony Services	10,596,000	-40.6%	17,832,000
Local Charges for Prepaid Telephony Services	9,161,000	81.5%	5,047,000
Lumber Products Assessment	41,409,000	-2.3%	42,388,000
<b>Total Revenues</b>	<b>\$64,276,089,000</b>	<b>-0.1%</b>	<b>\$64,309,814,000</b>

(Modified accrual basis of accounting) For expanded annual data, please see Statistical Table 2 at [www.boe.ca.gov](http://www.boe.ca.gov).

SOURCES OF STATE REVENUE, 2016-17



	Revenue (in thousands)	Percentage of Total State Revenue
● Sales and Use Taxes	\$35,405,109	21.4%
● Fuel Taxes	4,871,350	2.9%
● Other BOE Revenues	5,968,067	3.6%
● Personal Income Tax	82,857,006	50.0%
● Corporation Tax	10,116,338	6.1%
● Motor Vehicle and Trailer Taxes	6,675,213	4.0%
● Other Revenues	19,913,445	12.0%
<b>TOTAL</b>	<b>\$165,806,528</b>	

	2016-17 Revenue (in thousands)	Percent Change	2016-17 Percentage of Total State Revenue
<b>Board of Equalization</b>			
<i>Major Taxes and Licenses</i>			
Sales and Use Tax <sup>1</sup>	\$35,405,109	-1.24%	21.35%
Managed Health Care	390,171	-76.32%	0.24%
Gasoline and Jet Fuel Tax	4,327,069	-5.83%	2.61%
Diesel and Use Fuel Taxes	544,281	22.71%	0.33%
Insurance Gross Premium Tax	2,277,030	-2.05%	1.37%
Cigarette and Tobacco Products Tax	1,248,684	47.66%	0.75%
Alcoholic Beverage Tax	368,357	-0.09%	0.22%
<i>Totals, Major Taxes and Licenses</i>	44,560,701	-3.29%	26.88%
<i>Totals, Minor Revenues<sup>2</sup></i>	1,683,825	0.42%	1.01%
<b>Grand Total</b>	<b>\$46,244,526</b>	<b>-3.16%</b>	<b>27.89%</b>
<b>Other Agencies</b>			
<i>Major Taxes and Licenses</i>			
Personal Income Tax	\$82,857,006	4.95%	49.97%
Corporation Tax	10,116,338	2.16%	6.10%
Motor Vehicle “in lieu” Tax	2,647,152	6.72%	1.60%
Trailer Coach Fees “in lieu” Tax	25,715	13.07%	0.02%
Motor Vehicle Registration and Other Fees	4,002,346	0.18%	2.41%
Horse Racing (Parimutuel) License Fees	14,633	0.66%	0.01%
<i>Totals, Major Taxes and Licenses</i>	99,663,190	4.51%	60.11%
<i>Totals, Minor Revenues</i>	19,898,812	6.69%	12.00%
<b>Grand Total</b>	<b>\$119,562,002</b>	<b>4.87%</b>	<b>72.11%</b>
<b>Total State Revenue</b>	<b>\$165,806,528</b>	<b>2.50%</b>	<b>100.00%</b>
Major Taxes	145,907,716	3.16%	

Note: Percentage detail may not compute to total due to rounding.

Source: [www.ebudget.ca.gov/2018-19/pdf/BudgetSummary/BS\\_SCH8.pdf](http://www.ebudget.ca.gov/2018-19/pdf/BudgetSummary/BS_SCH8.pdf)

<sup>1</sup> Includes revenues from the state sales tax, the state disaster relief tax, the local revenue tax, and the fiscal recovery fund sales tax.

<sup>2</sup> Includes private railroad car, electrical energy, natural gas, emergency telephone, and environmental fees.





# APPENDIX



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## HISTORY OF THE CALIFORNIA STATE BOARD OF EQUALIZATION (BOE) AND BOE-ADMINISTERED TAXES AND FEES

- 1870:** Legislature created the State Board of Equalization, consisting of the State Controller and two gubernatorial appointees, to deal with property assessment abuses among counties.
- 1879:** State Board of Equalization established under the state Constitution to regulate county assessment practices, equalize county assessment ratios, and assess properties of interconnected railroads. Board consisted of four Members elected by district and the State Controller.\*
- 1911:** Constitutional amendment provided for the BOE assessment of corporation franchise taxes, bank share tax, gross receipts taxes on public service corporations (utilities), and insurance taxes.
- 1923:** Motor Vehicle Fuel (gasoline) Tax enacted.
- 1929:** Bank and Corporation Franchise Tax enacted. The BOE would no longer assess the taxes but was designated as the administrative appellate agency.
- 1933:** Sales Tax (retail), Motor Vehicle Transportation License Tax, and Alcoholic Beverage Tax enacted. Riley-Stewart Plan enacted assessment of designated public utility properties for local tax purposes.
- 1935:** Use Tax enacted to provide further revenue and protect California retailers from tax-free competition from out-of-state sellers.
- 1937:** Use Fuel Tax on diesel fuel enacted as a supplement to the gasoline tax. Private railroad car tax enacted.
- 1951:** Administration of Itinerant Merchants Act transferred by legislation from the Public Utilities Commission to the BOE. This law imposed an annual fee on those who hauled produce across county lines.
- 1955:** Constitutional Amendment transferred licensing and control of alcoholic beverages from the BOE to a new Alcoholic Beverage Control Department and the appellate function to the Alcoholic Beverage Control Appeals Board. The BOE retained taxing functions.
- 1955:** BOE-administered local sales and use taxes program initiated. All cities and counties in the state were included by 1962.
- 1959:** Cigarette Tax enacted.
- 1966:** Property Tax Assessment Reform Law enacted, mandating certification and training of appraisers, surveys of county assessors' offices, and development of property tax rules and regulations; and added an appeal procedure at the staff level to the sample property appraisal process.

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\*The Board in its present form was established by article XIII, section 9 of the Constitution of 1879. "As originally ratified, (it) provided that the board should consist of one member from each congressional district in the State, to be elected by the qualified electors of their respective districts at the general election to be held in 1879, whose term of office, after those first elected, should be four years, and that the Controller should be ex officio a member of the board." - *California Blue Book or State Roster - 1909*



- 1967:** Legislation increased the Cigarette Tax and provided that 30 percent of the receipts be distributed to cities and counties based on local sales tax allocations.
- 1969:** Aircraft Jet Fuel Tax enacted.
- 1970:** State-administered transit district sales tax program enacted. The first districts were the Bay Area Rapid Transit District and Southern California Rapid Transit District.
- 1973:** Motor Vehicle Transportation License Tax repealed.
- 1974:** Waxman-Dymally Campaign Disclosure Act enacted, providing for audit of campaign statements. Terminated late in 1975 with passage of Proposition 9, Political Reform Act, in November 1974.
- 1975:** Electrical Energy Surcharge enacted.
- 1976:** Timber Yield Tax and Emergency Telephone Users Surcharge Law enacted.
- 1977:** Litter Control, Recycling, and Resource Recovery Assessment Act enacted.
- 1978:** Proposition 13 enacted imposing a property tax rate of one percent of the property's full cash value, with limited exceptions. In addition, it allowed reappraisal of real property at current fair market value only when there is a change in ownership or upon completion of new construction. Proposition 8 amended Article XIII A to allow reduction of the full cash value base of real property to reflect substantial damage, destruction, or other factors that caused the value to decline.
- 1979:** Litter Control, Recycling, and Resources Recovery Act amended, ending the assessment and allocating funding from the state's general fund.
- 1982:** Administration of two hazardous substances taxes assigned to the BOE by legislation. Both are imposed on persons who generate hazardous waste and dispose of it in California.
- 1984:** The Moore Universal Telephone Service Act imposed a tax on certain intrastate telecommunications to subsidize basic telephone service for those who cannot afford it. The Public Utilities Commission determined tax rates, eligibility, and service systems while the BOE collected the tax.
- 1987:** The Moore Universal Telephone Service Act repealed and reenacted. Administration was transferred to the Public Utilities Commission.
- 1988:** Proposition 99 increased the tax on cigarettes and created a Tobacco Products Tax.
- 1989:** Underground Storage Tank Maintenance Fee created. The Harris-Katz California Taxpayers' Bill of Rights became effective.
- 1990:** Motor Vehicle Fuel License Tax increased five cents per gallon in August due to passage of Proposition 111 in June. Annual Hazardous Substance Tax expired December 31.

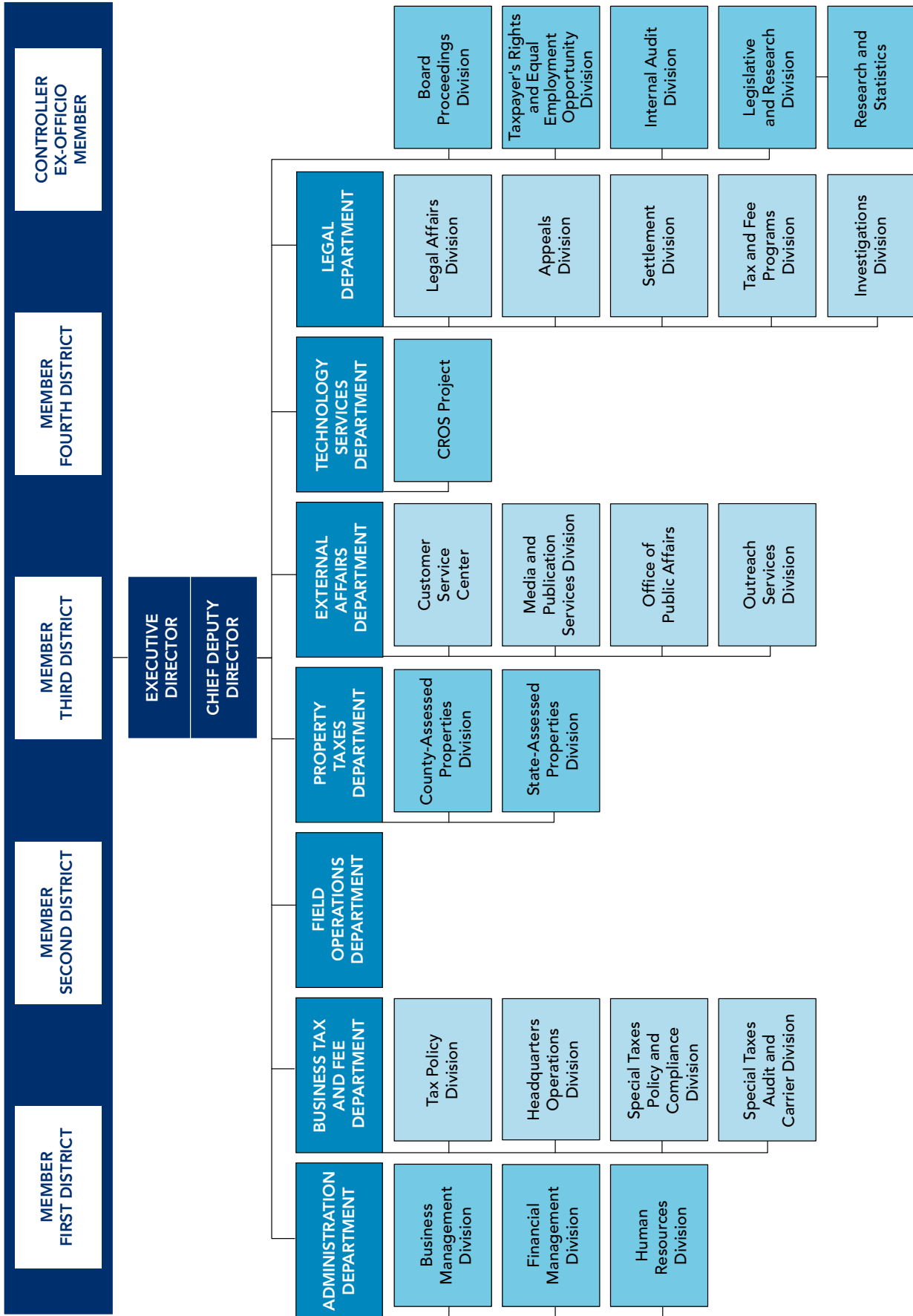
- 1991:** New environmental related fees created: Tire Recycling; Oil Spill Response, Prevention, and Maintenance; and Oil Spill Prevention and Administration. Sales tax exemption related to certain food products repealed in July 1991, resulting in so-called “Snack Foods” tax. Also repealed were exemptions applicable to bottled water and newspapers and periodicals.
- 1992:** California Oil Recycling Enhancement Act enacted. “Snack Tax” and tax on certain periodical subscriptions overturned by voters. Collections ended in February for San Diego County Regional Justice Facility Tax that had been found to be unconstitutional. Monterey County Public Repair and Improvement Authority tax found unconstitutional in September; collections ended September 30.
- 1993:** Childhood Lead Poisoning Prevention Fee and Hazardous Spill Prevention Fee took effect. Voters approved a constitutional amendment making permanent an additional sales and use tax to fund local public safety programs. The Special Taxes Bill of Rights became effective.
- 1994:** San Diego County Regional Justice Facility Tax and Monterey Public Repair and Improvement Authority Tax refund programs began. San Diego County sales and use tax rollback/credit program began. The Morgan Property Taxpayers’ Bill of Rights became effective.
- 1995:** Diesel Fuel Tax Law became operative July 1. Use Fuel Tax Law modified to delete diesel fuel. Propane Safety Inspection and Enforcement Surcharge took effect. Monterey County sales and use tax rollback/credit programs began. Santa Clara County Traffic Authority Tax expired March 31. New Santa Clara County Local Transportation Authority found unconstitutional prior to implementation. Hazardous Spill Prevention Fee expired at end of year.
- 1996:** California implemented International Fuel Tax Agreement. Fresno Metropolitan Projects Authority Tax declared unconstitutional; direct refund program began. Sales and use tax rate rollbacks ended in San Diego and Monterey counties. Legislation modified method of allocating local tax on automobile leases.
- 1997:** Fresno Metropolitan Projects Authority Tax refund program ended March 31; California Supreme Court upheld Childhood Lead Poisoning Prevention Fee; Santa Cruz County Library Tax and Santa Clara County Transactions and Use Tax went into effect April 1; Santa Cruz County Earthquake Recovery Bond Tax, Tulare County Transactions and Use Tax, and San Benito County General Fund Augmentation expired; propane safety inspection and enforcement surcharge transferred to Public Utilities Commission January 1; Oil Recycling Fee transferred to Integrated Waste Management Board July 1.
- 1998:** Napa County Flood Protection Authority Tax went into effect on July 1; Solano County Public Library District Tax, Nevada County Public Library District Tax, and Town of Truckee Road Maintenance District went into effect on October 1. San Benito County Council of Governments tax expired December 31. Legislation authorized counties to levy transactions and use taxes for local library programs; extended the sunset date of the tire recycling fee; and changed local sales tax allocation methods for pooled revenues and sales of jet fuel. Proposition 10, which imposed new cigarette and tobacco products taxes, was enacted. Taxpayers’ Bill of Rights II was enacted.

- 1999:** Proposition 10 went into effect January 1. City of Placerville Public Safety Tax and Fresno County Public Library Tax went into effect April 1.
- 2000:** The Ballast Water Management Fee went into effect January 1. Four transactions and use taxes went into effect: the City of Clovis Public Safety Transaction and Use Tax on April 1; the Mariposa County Healthcare Authority District Tax and the City of Woodland General Revenue Transactions and Use Tax on July 1; and the Avalon Municipal Hospital and Clinic Transactions and Use Tax on October 1.
- 2001:** On January 1, the state sales and use tax rate dropped by 0.25 percent and the Natural Gas Surcharge went into effect. The Motor Vehicle Fuel License Tax was repealed effective December 31. Legislation added a number of sales and use tax exemptions for the agricultural industry.
- 2002:** On January 1, the state sales and use tax rate increased by 0.25 percent and the Motor Vehicle Fuel Tax went into effect. The Alameda County Transportation Authority Tax expired on March 31 and was immediately replaced by the Alameda County Transportation Improvement Authority Tax.
- 2003:** The Cigarette and Tobacco Products Licensing Act of 2003 established a statewide licensing program that imposed licensing requirements on all retailers, wholesalers, and distributors of cigarette and tobacco products as well as on all manufacturers and importers of cigarettes. The Act, intended to decrease tax evasion, included provisions for new recordkeeping requirements, inspection and seizure of any untaxed cigarettes or tobacco products, and imposed civil and criminal penalties for violations.
- 2004:** On January 1, the Ballast Water Management Fee was renamed the Marine Invasive Species Fee and extended to January 1, 2010. The Water Rights Fee went into effect January 1, requiring the BOE to assess and collect various fees from owners of water rights on behalf of the State Water Resources Control Board.
- 2005:** The Electronic Waste Recycling Fee became effective January 1, requiring retailers to collect a fee upon the sale of certain video display devices. The fee helps pay for safe recycling of those devices.
- 2006:** Signed into law on September 27, the Cigarette and Tobacco Products Law affected several provisions of both the Business and Professions Code and the Revenue and Taxation Code. In general, it required manufacturers and importers of tobacco products to comply with the invoicing and recordkeeping requirements applicable to cigarette and tobacco products under the Cigarette and Tobacco Products Licensing Act of 2003.
- 2007:** Streamlined property taxes administration procedures were established for assessing fractionally-owned aircraft using a centralized approach in which counties coordinate their efforts allowing taxpayers to file a single statement with one county.
- 2009:** On April 1, the General Fund portion of the state sales and use tax rate temporarily increased by one percent.
- 2010:** “Look-Up” Table established allowing eligible purchasers to report their estimated use tax on their California Income Tax Return for *personal* items bought for less than \$1,000 each.

- 2011:** Effective September 1, the State Responsibility Fire Area Prevention Fee program was established; there were 772,663 designated assessed properties.
- 2013:** The BOE became required by law ([Assembly Bill 1492](#), Ch. 289, Stat. 2012) to collect the Lumber Products Assessment on behalf of the California Board of Forestry and Fire Protection within the Department of Forestry and Fire Protection (CAL FIRE).
- 2014:** Tax Recovery and Criminal Enforcement (TRaCE) Task Force to combat organized elements of the underground economy in the evasion of business, payroll, and/or income taxes launched. The BOE is a member of the multi-agency TRaCE Task Force.
- 2014:** The Oil Spill Response, Prevention, and Administration Fees expanded to be applicable to crude oil and petroleum products transported over, across, under, or through waters of the state rather than just marine waters.
- 2016:** The Prepaid Mobile Telephony Services (MTS) Surcharge became effective January 1, imposing a prepaid MTS surcharge on purchasers (consumers) as a percentage of the sales price of each retail transaction involving prepaid wireless cards/services in California.
- 2016:** Senate Bill 84 (Stats. 2015, Ch. 25) established the Regional Railroad Accident Preparedness and Immediate Response (RRAPIR) fee, requiring railroad operators to collect the fee from owners of hazardous materials when the materials enter this state on railcars or when the materials are loaded onto railcars in California. On October 28, 2016, a preliminary injunction was filed in the United States District Court for the Northern District to stop the agency from administering provisions of RRAPIR. The agency will not administer any of the provisions of RRAPIR until the court resolves the issue.
- 2017:** The Lead-Acid Battery Recycling Act of 2016, imposed fees on a consumer's purchase of a replacement lead-acid battery and the sale of a lead-acid battery by a manufacturer to a dealer, wholesaler, or distributor beginning April 1.
- 2017:** The BOE implemented two bills ([Assembly Bill x2-11](#) Stats. 2016, Ch.6; [Senate Bill x2-5](#) Stats. 2016, Ch. 7) which increased the application fee and imposed an annual renewal fee for cigarette and tobacco products retailers, while expanding the definition of "tobacco products" for retail licensing purposes. The annual renewal fee for wholesalers and distributors licenses also increased.
- 2017:** Effective April 1, 2017, Proposition 56 increased the state excise tax on cigarettes and added new products to the definition of "tobacco products" for taxation purposes.
- 2017:** Legislation ([Assembly Bill 102](#), Ch. 16, Stat. 2017) restructured the BOE and separated its functions among three separate entities. The BOE retains most property tax functions, the Alcoholic Beverage Tax, and the Tax on Insurers. The remaining duties were transferred to the newly-created California Department of Tax and Fee Administration (CDTFA) and the Office of Tax Appeals (OTA.)



# Organizational Chart CALIFORNIA STATE BOARD OF EQUALIZATION



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