

Bark Houses



Indian Grinding Rock State Park

Profile



The State Board of Equalization collects taxes and fees that provide more than 36 percent of the annual revenue for state government as well as essential funding for local government. In fiscal year 1998-99 taxes and fees administered by the Board produced \$35.53 billion for programs supporting education, health care, public safety, transportation, social services, housing, and natural resource management programs.

The Board is responsible for the administration of the state's sales and use, fuel, alcohol, tobacco, and other taxes and for the collection of fees that fund specific state programs. More than one million businesses are registered with the agency.

In addition to administering key revenue programs, the Board plays a significant role in California property tax assessment and administration. It also acts as the appellate body for franchise and personal income tax appeals.

Tax Programs, 1998-99

Sales and Use Tax Programs

Sales and Use Tax
Bradley-Burns Uniform Local Sales
and Use Tax
District Transactions (Sales) and Use Tax

Special Tax and Fee Programs

Insurance Tax
Alcoholic Beverage Tax
Cigarette and Tobacco Products Tax
Emergency Telephone Users Surcharge
Energy Resources Surcharge
Integrated Waste Management Fee
Tire Recycling Fee
Motor Vehicle Fuel License Tax
Use Fuel Tax
Diesel Fuel Tax
Interstate User Tax
Underground Storage Tank Maintenance Fee
Oil Spill Prevention and Administration
and Oil Spill Response Fees
Childhood Lead Poisoning Prevention Fee
Hazardous Substances Tax
Occupational Lead Poisoning Prevention Fee

Property Tax Programs

County Assessment Standards Program
State-Assessed Property Program
Timber Yield Tax
Private Railroad Car Tax

Tax Appellate Program

Personal Income Tax
Taxpayers' Bill of Rights Law
Bank and Corporation Tax Law
Senior Citizens Property Tax Assistance
and Postponement Law

A foldout chart inside the back cover of this report lists revenues and other comparative information for revenue-producing tax and fee programs administered by the Board.

History

The Board of Equalization, created by constitutional amendment in 1879, was originally charged with responsibility for ensuring statewide equality and uniformity in county property tax assessment practices. As the state's need for revenue to support programs and services grew, the agency assumed a broader role.

In 1911, a voter-approved constitutional amendment directed the Board to levy four new taxes, including insurance and corporation franchise taxes. The most significant change in the Board's duties came in 1933, when the tremendous drop in property tax revenues brought on by the Great Depression led to the creation of the sales tax. The

complementary use tax, established in 1935, was intended to protect California businesses from tax-free, out-of-state competition. Since that time the Board has been given the responsibility for administering a number of additional business and property taxes.

Governance

The five members of the Board, who serve concurrent four-year terms, constitute the nation's only elected tax commission. Four members are elected by district. The state controller, elected at large, serves as the Board's fifth member. The current Board members were elected in November 1998 and assumed office in January 1999. Member biographies begin on page 7.

The Board's executive director, appointed by the Board members, directs the nearly 4,000 agency employees who carry out the Board's mission, goals, and directives.

Board Responsibilities

The primary responsibilities of the Board are to

- Adopt rules and regulations clarifying the laws it administers;
- Act as an appellate body for the review of property, business, and income tax determinations;
- Administer agency programs;
- Determine the assessed value of railroads and specified privately-held public

utilities, including gas, electric, and telephone companies; and

- Oversee the property tax assessment practices of county assessors.

In carrying out these responsibilities, the Board

- Serves as the appellate body for final actions by the Franchise Tax Board involving the state's Bank and Corporation Franchise Tax, the Personal Income Tax, and the Senior Citizens Property Tax Assistance laws. In this capacity, the Board issues opinions that interpret and define California's income tax laws.
- Prescribes the state's property tax regulations and issues advice to guide property taxpayers, county assessors, and county assessment appeals boards.
- Considers petitions by taxpayers regarding sales and use taxation, business tax matters, and the Insurance Tax Law.
- Considers appeals of assessments made by county assessors on lands, water rights, and certain improvements on properties owned by local governments but located outside their boundaries.
- Develops and adopts capitalization rates to be used in valuing state-assessed utilities.
- Classifies unitary and nonunitary properties of public utilities and determines the property values of each assessee for local property taxation.
- Oversees revenue collection and program operations for excise tax and environmental fee programs administered in cooperation with other state agencies.

California Equalization Districts



- Fixes the 911 emergency telephone users surcharge rate determined by the Department of General Services.
- Studies the operations of individual county assessor offices to determine their effectiveness.
- Prescribes property tax forms and publishes handbooks for assessors' use.
- Sets the energy resources surcharge rate.
- Publishes a *Business Taxes Law Guide* and advisory tax publications for specific types of businesses to help them comply with tax law requirements.
- Publishes a *Property Taxes Law Guide* for use by county officials in administering the property tax laws and for use by taxpayers.



Dance House, Clear Lake

Meetings

Public Board meetings offer taxpayers the opportunity to directly participate in the formulation of rules and regulations adopted by the Board and to observe the members as they carry out their official duties. Meetings are held throughout the year, approximately two to three weeks apart. Monthly meetings are held in Sacramento, and additional meetings are held as necessary in other California cities. In 1998-99, the Board met in Sacramento and Culver City.

In addition, special hearings held each year allow taxpayers to make direct comments and suggestions regarding Board-administered laws and programs. For information regarding the 1998 hearings, please see page 55.

This year the Board completed further revisions of its *Rules of Practice*, the regulations governing the conduct of Board appeals and hearings. The new rules provide better guidance for taxpayers and tax practitioners and help streamline the appeals process.

Members of the Board



District One

Johan Klehs

was elected to the Board of Equalization in November 1994, representing the 26 counties of Northern California's First Equalization

District. He was re-elected in 1998 and served as chair of the Board in 1995, 1996, and 1999. Klehs previously served for 12 years in the California Assembly. As chair of the Assembly's Revenue and Taxation Committee, he was a vigorous advocate for tax fairness. As chair of the Board, Klehs led the successful effort to create a Customer and Taxpayer Services Division and directed the agency to crack down on California's huge "underground economy." Klehs was born to German immigrant parents in 1952 and grew up in San Leandro. He graduated from California State University, Hayward, with a degree in political science and later earned a Master of Public Administration degree. Klehs also attended Harvard University's John F. Kennedy School of Government. In 1978, Klehs was elected to his first office, becoming the youngest person ever elected to serve on the San Leandro City Council.



District Two

Dean Andal

won election to the Board of Equalization in 1994 and served as chairman during 1998. During his tenure, Dean has been a

leader in streamlining government services and improving agency efficiency. He directed the closure of 17 Board offices in his district, saving taxpayers more than \$40 million. Dean also established Taxpayer Service Centers to provide one-stop public access to the Board of Equalization, Franchise Tax Board, and Employment Development Department Tax Division. In 1998, Dean was appointed to the United States Advisory Commission on Electronic Commerce, which is examining tax policy related to economic activity on the Internet. A resident of District Two for over 30 years, he lives in Stockton with his wife Kari and son Patrick. Dean earned a bachelor's degree from the University of California at San Diego in 1983. Prior to his election to the Board, he represented the 17th Assembly District of San Joaquin County and served as chief budget negotiator for the Republican Caucus.

Members of the Board



District Three

Claude Parrish

was elected to the Board of Equalization in November 1998 and served as chairman of the Board's Customer Service Commit-

tee in 1999. He serves approximately eight million residents of Riverside, Orange, San Diego, Imperial, and a portion of Los Angeles County. Claude has held positions in management, finance, and the securities industry. He holds a degree in accounting and graduated from college summa cum laude. While at the American Broadcasting Company, Claude supervised the management of ABC's Entertainment Center and West Coast Corporate Headquarters in Century City. He was subsequently appointed vice-president of management for a large real estate trust, where he managed properties valued at more than \$450 million. Claude was born and raised in Los Angeles. He was recognized by the *Wall Street Journal* as one of California's leading young business executives when he owned a small business. Claude has served as treasurer of the Los Angeles County Republican Party and corporate controller of a large securities firm.



District Four

John Chiang

began his career as a Tax Law Specialist with the Internal Revenue Service and later served as an attorney with the Office of the State

Controller. He has promoted public-private partnerships through community outreach and taxpayer education. John organized the first Board of Equalization, Franchise Tax Board, and IRS seminar for nonprofit organizations and joined with the Los Angeles County Assessor's Office to hold a tax seminar for religious organizations. He also organized business and labor forums on fighting tax evasion in the "underground economy." California law now contains his 1999 legislation to allow refund claims to be filed beyond the normal period when a taxpayer is medically unable to manage his or her financial affairs. John is a graduate of Georgetown University Law Center and the University of South Florida. His community service awards include the State Bar of California Board of Governors' Pro Bono Service Award and the Asian-Pacific American Labor Alliance Community Service Award.

Members of the Board



**State
Controller
Kathleen Connell**

is California's 28th controller, elected in 1994 after a successful career in business, education, and finance. She was

reelected in November 1998. Connell serves as a member of the Board of Equalization and as the chair of the Franchise Tax Board. She is a member of more than 50 policy-making boards and commissions, including the Public Employees' Retirement System,

the State Teachers' Retirement System, and the State Lands Commission. Connell's leadership and commitment to more efficient, more effective state government is making a difference: creating good jobs, improving education, and protecting taxpayers from waste and fraud. Her innovative reforms are replacing business as usual with a new dedication to making government work better at less cost. Connell's aggressive audits of state programs have uncovered more than \$1 billion in potential savings. Connell is the first woman to serve as California controller and the first controller to regularly publish independent economic forecasts.