



Sundial Bridge, Redding

Highlights

Revenue

Total Board revenues increase for second consecutive year

Board of Equalization revenues in 2003-04 totaled \$44.46 billion, 6.0 percent higher than the \$41.93 billion collected in 2002-03. More than 85 percent of total Board revenues came from sales and use taxes. Sales and use tax receipts totaled \$38.06 billion, an increase of 6.5 percent from the 2002-03 total of \$35.74 billion.

Fuel and excise tax revenues increase

California's fuel tax revenue was \$3.37 billion in 2003-04, a 2.1 percent increase from 2002-03. Cigarette and tobacco product tax and license revenue totaled \$1.09 billion, up 2.1 percent from the \$1.06 billion collected in the previous fiscal year. Revenues from alcoholic beverage taxes totaled \$293.38 million, an increase of 1.0 percent.

2003-04 Board Revenues Billions of Dollars



Tax Program, District, and Rate Changes

New licensing program for tobacco sellers

In 2004, the Board implemented the licensing provisions of the California Cigarette and Tobacco Products Licensing Act of 2003 (Assembly Bill 71; Stats. 2003, ch. 890), which requires any business that sells cigarettes and tobacco products in California to obtain a license. The program also greatly expands tobacco tax enforcement. For more information, see [pages 38 and 43](#).

“Triple Flip” measures juggle revenues to address budget crisis

In a move termed the “triple flip,” legislation and a voter-approved bond measure increased the state sales and use tax rate by 0.25 percent, reduced the local sales tax rate by the same amount, used property tax to reimburse counties and cities for the resulting drop in sales tax revenue, and guaranteed that state General Fund revenue would be used to maintain required state funding levels for education. The measures were Assembly Bill 7, Assembly Bill 1766, Assembly Bill 9, and Proposition 57. For more information, see [page 30](#).

Fee provides funds for water rights administration

The new water rights fee, established by Senate Bill 1049 (Stats. 2003, ch. 741) provides funds to support operation of the Water Rights Division of the State Water Resources Control Board. The annual fee is imposed on water rights holders in the state and collected by the Board.

Significant Legislation

New use tax reporting method adds to state’s revenue

Senate Bill 1009 (Stats. 2003, ch. 718) authorized individual California taxpayers to pay use tax on their income tax return. The new use tax line produced more than \$1.5 million in revenue. This bill also generally prohibits the state from purchasing goods from vendors who are not registered with the Board.

Taxpayers given penalty and interest relief; pay delinquent taxes

Assembly Bill 2065 (Stats. 2002, ch.488) provided penalty and interest relief on certain past-due sales and use tax accounts for taxpayers who

paid the tax portion of their liability by June 30, 2004. The program produced payments of \$7.1 million in delinquent taxes from 760 accounts.

Combined tax rate increased, cities given new taxing authority

Senate Bill 566 (Stats. 2003, ch. 709) increases the maximum combined rate of transaction (sales) and use taxes (district taxes) that may be levied in a county from 1.50 percent to 2.0 percent. It also authorizes cities to levy these district taxes at a rate of 0.25 percent, or multiple of 0.25 percent, for general or special purposes without first seeking special enabling legislation.

Welfare exemption administration streamlined

Senate Bill 1062 (Stats. 2003, ch. 471) streamlines the joint administration of the property tax welfare exemption by eliminating duplicative state and local review functions.

Improving Operations

Effective management keeps Board on mission with reduced funds

Through careful management and efficient operation, the Board met the General Fund reductions specified in the Budget Act of 2004 while continuing to fulfill its mission.

Revenue Database Consolidation on schedule and within budget

The Board completed critical phases of the Revenue Database Consolidation project, which is incorporating special taxes program data into the agency Integrated Revenue Information System and Automated Compliance Management System. This multiyear, \$17 million project was on schedule and within budget at the end of 2004.

New production printers improve return and billing processes

In June 2004, the Board replaced two aging large-volume printers used for printing tax returns, billing notices, and other taxpayer correspondence. The new, state-of-the-art printers have increased the reliability of printing functions, improved mass-mailing speed, and ensured timely taxpayer notification.