

Revenue

Total Board revenues increase

Fiscal year 2005-06 revenues totaled \$52.98 billion, 6.1 percent higher than the \$49.95 billion collected in 2004-05. Sales and use tax receipts, which totaled \$41.5 billion in 2004-05, grew to \$44.3 billion, an increase of 6.8 percent.

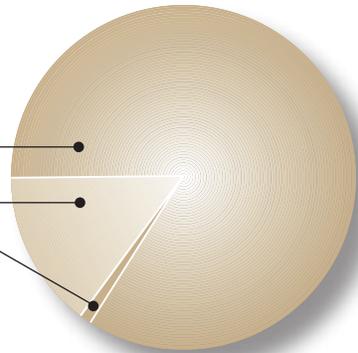
Investigative program generates added revenue

Tax evaders make up a large part of California’s “underground economy.” In 2005-06, the Board’s investigative program issued audit billings of \$56,099,386 resulting from cases investigated for tax evasion.

2005-06 Board Revenues

Billions of dollars

Sales and use taxes	\$44.30
Other taxes and fees	7.93
Property taxes	0.76



Significant Legislation

Vehicles, vessels, and aircraft purchased outside California

Assembly Bill 1809 (Stats. 2006, ch. 49) extends for one year the sunset date (from July 1, 2006 until July 1, 2007) of the sales and use tax provision dealing with out-of-state purchases. That provision specifies that the Board shall presume, unless there is evidence otherwise, that a vehicle, vessel, or aircraft purchased outside California, and brought into the state within 12 months from the date of purchase, is purchased for use in California and is subject to California use tax.



Allocation of sales and use tax administrative costs

Assembly Bill 1809 (Stats. 2006, ch. 49), beginning July 1, 2006, required that the Board use a simpler method to determine costs for administering the state and local sales and use taxes on behalf of the state, local governments, and special tax jurisdictions. The new method, developed by the Board, allocates those costs primarily on the basis of revenue, with the cost of return processing allocated on the number of return lines used in filing applicable tax returns. The new model is more easily understood, more closely aligns revenues to the costs of registration, audits, and collections, and can more easily include additional special tax jurisdictions. It also removed the cap on the amount the Board could charge for special tax jurisdictions for administering their transactions and use taxes.

Wine direct shipper permit required for winegrowers to sell and ship wine to California consumers

Senate Bill 118 (Stats. 2005, ch. 157) creates a wine direct shipper permit that authorizes winegrowers to sell and ship wine directly to any person in California that is 21 years of age or older for personal use. The permit requirement applies to California and out-of-state winegrowers.

Commercial air carriers—centralized assessment at the county level

Assembly Bill 964 (Stats. 2005, ch. 699) establishes a centralized system for commercial air carriers to file annual property statements with a designated “lead” county for certificated aircraft as well as other personal property and real property fixtures located at airport locations. Additionally, it specifies the assessment methodology for valuing certificated aircraft for the next six years.

Registered domestic partners—change in ownership exclusion

Senate Bill 565 (Stats. 2005, ch. 416) excludes any transfer of property between registered domestic partners from reassessment for property tax purposes.

Improving Operations

Board hearing instructional video and taxpayer notification projects

The Taxpayers' Rights Advocate worked with the Board Proceedings Division of the Board's Legal Department to improve the clarity of standard notifications sent to appellants and to enhance educational materials provided to taxpayers to help them prepare for their Board hearings. Two new publications and an informational video about Board hearings are available. The publication "Board Hearings: An Introduction" provides a brief overview. The publication "Your Appeal Hearing Before the Board Members" and the video, which has the same title, explain how a Board hearing is conducted and provide helpful information to taxpayers on how to prepare, submit, and present information for a Board hearing.



The first California Zephyr was the grandest way to travel from Chicago to California. Zephyrettes were the train's heart and soul, working 16 hours a day throughout the train's 30-year run.



Tax appeals assistance program

Taxpayers with appeals before the Board are able to seek free legal assistance through our Tax Appeals Assistance Program. Qualified law students advise appellants, research and draft appeals briefs, and handle other matters on behalf of the taxpayer as we consider the case. Assistance is offered to qualifying appellants with Homeowners & Renters Assistance (HRA) and some income tax-related appeals before the Board. Schools participating in the program are McGeorge School of Law in Sacramento, Chapman University School of Law in Orange, Golden State University School of Law and Loyola Law School in Los Angeles. Most consultations are done by appointment or over the phone. The Board plans to expand the program to include other areas of tax law in the near future and to add at least one additional location in 2007.

Tax amnesty program

The Sales and Use Tax Amnesty Program was successfully implemented from February 1, 2005 to March 31, 2005. The program applied to unreported sales and use tax liabilities due and payable for tax reporting periods prior to January 1, 2003. The number of people who participated in the program and the amount of payments received exceeded the Board's expectations. A total of 11,675 taxpayers participated in



This lounge car offered a high “skytop” dome. The domed coach, lounge, and dining cars made train travel a great sight-seeing experience and were centers of activity.

the program and, as of June 30, 2006, a total of \$659,264,014 in payments was remitted. A total of 875 new accounts were created, with 463 of them to record one-time purchases and/or prior sales by taxpayers no longer engaged in business. Approximately 12,470 tax returns were filed under the amnesty program to report sales and/or purchases not previously reported. Nearly 190,000 visits to the Board's amnesty web pages were recorded between January 2005 and June 2006, and more than 160,000 telephone calls related to the amnesty program were received by the Board's Information Center.

Use tax reported on Franchise Tax Board returns

In an effort to raise public awareness regarding use tax payment responsibility, the Board and the Franchise Tax Board jointly implemented Senate Bill 1009, which authorized use tax reporting on California's income and franchise tax returns for purchases occurring from January 1, 2003 through December 31, 2009. Compared to 2004-05, the number of taxpayers reporting use tax in 2005-06 increased by 21 percent and the total amount of use tax reported increased more than 98 percent. The 2005 state income tax instruction booklets have been updated to reflect current city/county sales and use tax rates, and additional language has been added to warn taxpayers about late payment penalties.

Fuel taxes division staff recognition

The Federation of Tax Administrators' Motor Fuel Tax Section recognized the Board's fuel taxes staff by presenting them with two awards. The staff received the 2006 National Chair's Award for dedication and contributions to the federation's Fuel Tax training section, and the 2006 Uniformity Committee National Award for the staff's continued improvements to uniform reporting and for combating fuel tax evasion.

AB 71 improved cigarette and tobacco product revenues

The Cigarette and Tobacco Products Licensing Act of 2003, AB 71, required the Bureau of State Audits to conduct a performance audit by July 1, 2006, of the licensing and enforcement provisions of this law. The Bureau completed its audit and submitted its report to the Board and the Legislature in June 2006. The audit found that the Board's implementation of the act has helped stem the decline in cigarette tax revenues.