



Griffith Park Observatory, Los Angeles County

Special Taxes and Fees

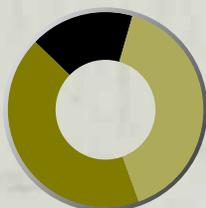
In 2007–08, the BOE administered 20 special tax and fee programs that encompass a broad range of activities and transactions. Revenues from the insurance tax, alcoholic beverage tax, and a portion of cigarette tax receipts are allocated to the state’s General Fund. Other special taxes and fees fund specific state services, from highway construction to recycling programs. The BOE administers more than half of the special tax and fee programs in cooperation with other state agencies.

Revenues

BOE-administered special tax and fee program revenues totaled \$7.9 billion in 2007–08, a decrease of one percent from 2006–07 total revenues of \$8.0 billion. Fuel taxes totaled \$3.4 billion, while alcohol and tobacco taxes totaled approximately \$1.4 billion.

2007-08 Special Tax and Fee Revenues

Billions of dollars



- Fuel Taxes \$3.40
- Alcohol and Tobacco \$1.37
- Other Special Taxes and Fees \$3.16

Programs

This section includes information regarding special tax and fee program revenue, significant program highlights, and the number of program registrants. More detailed information regarding individual tax and fee programs is found in the foldout chart inside the back cover of this report. The chart 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

Alcoholic beverage tax revenues totaled \$327.27 million in 2007-08, a 2.0 percent decrease from 2006-07. Program registrants numbered 5,234 at the end of the fiscal year.

Beer and wine consumption levels are down, while distilled spirits consumption increased, when compared with last fiscal year. By product category, beer is down 1.47%; wine is down 3.20%; however, distilled spirits consumption has shown an increase of 2.90%.

2007-08 Alcoholic Beverage Apparent Consumption

Millions of gallons



California Tire Fee

Revenues totaled \$55.03 million in 2007-08. At fiscal year end, 12,166 businesses were registered for the program that the BOE administers in cooperation with the California Integrated Waste Management Board (CIWMB) and the Air Resources Board (ARB).

Childhood Lead Poisoning Prevention Fee

In 2007-08, fee collections totaled \$35.54 million. At the end of the fiscal year, 937 feepayers were registered for the program. The BOE administers this fee in cooperation with the California Department of Public Health (CDPH).

Cigarette and Tobacco Products Licensing Program

This program requires statewide licensing of all manufacturers, importers, distributors, wholesalers, and retailers of cigarette and tobacco products. License revenues for 2007-08 totaled \$1.93 million. During the fiscal year, the Excise Taxes Division issued licenses to 34 cigarette manufacturers and importers, 72 tobacco product manufacturers and importers, 610 distributors, 444 wholesalers, and 38,166 retailers. The division also processed 1,045 citations; and conducted 123 appeal hearings.

The program also requires the BOE to conduct compliance inspections of cigarette and tobacco product vendors. In 2007-08, the Investigations Division conducted 10,553 compliance inspections, issued 1,196 citations for various violations of the cigarette and tobacco tax laws, executed 686 seizures of contraband products that included 140,924 packs of contraband cigarettes and contraband tobacco products with a wholesale cost of \$612,155.

Cigarette and Tobacco Products Taxes

Combined revenues for these taxes totaled \$1.04 billion in 2007-08, including \$.95 billion from cigarettes and \$85.9 million from other tobacco products. These taxes are collected from cigarette and tobacco



Point Cabrillo Light Station, Mendocino County

products distributors. At the end of June 2008, 791 distributors held licenses under this program. This registration figure does not include 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 on an ongoing basis. Consumption data is found in Appendix Table 30B on [page A-43](#).

Diesel and Use Fuel Taxes

Combined revenues from diesel and use fuel taxes totaled \$589.39 million for 2007-08, including \$84.21 million from the interstate user tax.

Diesel fuel tax. There were 32,984 businesses and individuals registered for the diesel fuel tax program as of June 30, 2008. Most are registered for fuel tracking or refund purposes. Two hundred and forty-six (246) diesel fuel suppliers paid more than 85 percent of the 2007-08 diesel fuel tax.

Interstate 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. There were 24,336 California-based IFTA licensees at the end of the fiscal year. Carriers who travel only between California and Mexico also pay the interstate user tax. There were 1,085 of these non-IFTA carriers registered as of June 30, 2008.

Use fuel tax. At the end of the fiscal year, 829 alternative fuel users and 191 fuel vendors were registered with the BOE.

Electronic Waste Recycling Fee

Revenue totaled \$80.39 million in 2007-08. As of June 30, 2008, 15,468 retailers of specified new or refurbished electronic equipment were registered for this program. These retailers sell "covered electronic

devices” (CEDs) that are subject to the fee. The BOE administers the program for the CIWMB in cooperation with the Department of Toxic Substances Control (DTSC).

Emergency Telephone Users Surcharge

Total revenues for 2007-08 were \$103.75 million. As of June 30, 2008, 447 telephone service suppliers were registered with the BOE.

Energy Resources Surcharge

Revenues totaled \$57.04 million in 2007-08. At the end of the fiscal year, program registrants included 98 electric utilities and consumers.

Hazardous Substances Tax

The BOE administers five hazardous waste fee programs in cooperation with the DTSC. Fee revenues for 2007-08 and the number of businesses registered at the end of the fiscal year are shown below.

Activity fees. Revenue: \$622,000. Entities pay the fees based on permit applications and modifications and other applications. They are not required to be registered with the BOE on an ongoing basis.

Disposal fee. Revenue: \$8.07 million; registered facilities: 9.

Environmental fee. Revenue: \$41.19 million; registered organizations: 51,782.

Facility fee. Revenue: \$5.21 million; registrants: 202 facilities.

Generator fee. Revenue: \$21.44 million; registrants: 6,299 fee payers with a total of 16,679 sites in the state.

Insurance Tax

Revenue from this tax, levied against insurance companies instead of most other California taxes, totaled \$2.01 billion for 2007 business. As of June 30, 2008, 1,976 insurance companies were registered to pay the tax, and 496 surplus line brokers were registered for administrative purposes. The BOE, the State Controller’s Office (SCO), and the Department of Insurance (DOI) share administrative responsibilities.

Integrated Waste Management Fee

Revenues totaled \$54.68 million in 2007-08. As of June 30, 2008, 193 facilities were registered for the program, that is administered in cooperation with the CIWMB.

Marine Invasive Species Fee

Revenues totaled \$2.72 million for 2007-08. As of June 30, 2008, 3043 fee payers registered for this program that is administered in cooperation with the State Lands Commission (SLC).

Motor Vehicle Fuel Tax

Motor vehicle fuel tax revenue totaled \$2.80 billion for 2007-08. There were 259 businesses registered in the program at the end of the fiscal year: 127 suppliers and 132 other accounts.

Aircraft jet fuel tax. Aircraft jet fuel tax collections for the year totaled \$3.06 million, based on the taxable sale or use of 151 million gallons of jet fuel. As of June 30, 2008, 231 jet fuel dealers were registered with the BOE.

Natural Gas Surcharge

Surcharge revenue totaled \$400.03 million in 2007-08. As of June 30, 2008, eight public utility gas corporations and three consumers who purchased gas through interstate pipelines were registered for the program.

Occupational Lead Poisoning Prevention Fee

Total revenues for 2007-08 were \$3.30 million. At the end of the fiscal year, 16,251 feepayers were registered for this program that is administered in cooperation with the CDPH.

Oil Spill Response, Prevention, and Administration Fees

Oil spill response fee. Oil spill response fees were not collected from the 29 program registrants in 2007-08 because the Oil Spill Response Trust Fund reached its maximum \$50 million level in 1991-92. The BOE administers the fee in cooperation with the Department of Fish and Game (DFG).

Oil spill prevention and administration fee. Revenues for 2007-08 totaled \$27.94 million. The number of registrants for the program totaled 34 as of June 30, 2008.

Underground Storage Tank Maintenance Fee

Revenues totaled \$243.65 million in 2007-08. As of June 30, 2008, 7,291 feepayers with 13,556 tank locations were registered for this program, which the BOE administers in cooperation with the State Water Resources Control Board (SWRCB).

Water Rights Fee

Revenues totaled \$7.85 million in 2007-08. As of June 30, 2008, 13,342 feepayers were registered for this program that is administered in cooperation with the SWRCB.

Operations

Staff in the BOE's Fuel Taxes Division, Excise Taxes Division, and Environmental Fees Division provide direct assistance to the businesses that pay special taxes and fees. The BOE processed 446,996 special tax and fee program returns during the 2007-08 fiscal year, including 143,238 fuel tax returns, 129,954 excise tax returns, and 173,504 environmental fee returns.

Audits

Staff in the Fuel Taxes Division, the Excise Taxes Division, and the Environmental Fees Division have the primary responsibility for auditing special tax and fee program accounts. This year, special tax and fee audits revealed more than \$67.8 million in net tax and fee deficiencies and identified more than \$4.5 million in refunds.

Compliance Activities

BOE compliance staff ensure proper registering and licensing of businesses, assist taxpayers in interpreting tax and fee laws and regulations, and provide help with tax and fee returns. Compliance personnel also collect delinquent tax and fee payments while referring suspected 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." In fiscal year 2007-08, the Investigations Division identified cigarette and tobacco products tax evasion of over \$21 million. A single tax evasion investigation may cross multiple BOE tax and fee programs. This was the case when the division initiated a sales tax investigation and subsequently disclosed evasion by the same business of over \$109,000 in tire recycling fees.

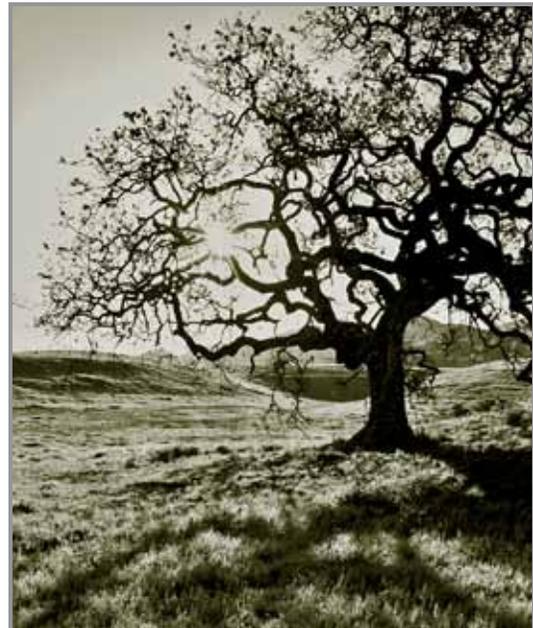
Fuel Tax Compliance

BOE staff members at California Highway Patrol (CHP) Truck Inspection Facilities and Department of Agriculture 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 assess penalties for noncompliance and collect outstanding taxes. BOE personnel at the CHP inspection facilities also identify goods and equipment being shipped into California that may be subject to sales or use tax.

Cigarette Tax Compliance and Enforcement

The BOE continued its efforts to identify out-of-state sellers of cigarettes who sell to California consumers through the mail or over the Internet. The out-of-state vendors are required by the federal Jenkins Act to report information regarding these sales to the BOE. California consumers who buy unstamped cigarettes in this manner are responsible for the excise and use tax on these purchases.

In California, it is illegal to sell cigarettes or roll-your-own tobacco unless the brand is included on the Tobacco Directory maintained by the Attorney General's Office (AGO). In 2007-08, 39.9 percent of seizures contained product not listed on the Tobacco Directory, an increase of approximately seven percent from the prior fiscal year.



Point Mugu State Park, Ventura County

Special Tax and Fee Legislation

BOE-sponsored Business Tax Omnibus Bill

This bill contains BOE-sponsored provisions that, among other things, accomplish, specifically with respect to Special Taxes and Fees, the following:

- Provides within the Motor Vehicle Fuel Tax Law an opportunity for taxpayers to dispute the application of the discretionary negligence penalty through the filing of a petition for redetermination.
- Authorizes the Board to provide, for special tax and fee programs, relief from liability for an innocent spouse, if, in light of all the facts and circumstances, it is inequitable to hold that spouse liable for any unpaid tax or fee or any deficiency (or portion thereof).
- Changes the due date of the monthly report filed by cigarette distributors who pay on a twice-monthly basis to the same report due date as cigarette distributors paying on a monthly or weekly basis.
- Changes the return due date for consumers owing excise taxes on purchases from out-of-state cigarette sellers to be consistent with the due date of their use tax return.
- Changes the effective dates of the emergency telephone users surcharge rate period from November 1 through October 31 to January 1 through December 31 (calendar year basis) in order to relieve quarterly and yearly filers from having to file split tax returns each time there is a rate change.

Assembly Bill 1748, Chapter 342, Statutes of 2007; effective January 1, 2008

Retailer Cigarette and Tobacco Products License Renewal

Revises the Cigarette and Tobacco Products Licensing Act of 2003 to impose a \$100 reinstatement fee upon a retailer if their license is reinstated after its expiration.

Senate Bill 625, Chapter 654, Statutes of 2007; effective January 1, 2008

Emergency Telephone Users (911) Surcharge

Makes amounts paid by every person in the state for Voice over Internet Protocol (VoIP) service that provides access to the “911” emergency system subject to the 911 surcharge. Also revises the definition of “toll telephone service” to, in part, clarify that toll charges may vary in amount with either the distance or elapsed transmission time, or the distance and elapsed transmission time, of each individual communication.

Senate Bill 1040, Chapter 17, Statutes of 2008; effective May 21, 2008, except the VoIP provisions become operative January 1, 2009