

Highlights

Revenue

Total BOE Revenues Decrease

Fiscal year 2008–09 revenues totaled \$48.4 billion. This amount is 8.9 percent lower than the \$53.1 billion collected in 2007–08 and reflects the recession’s impact on taxes administered by the BOE. Sales and use tax receipts, which totaled \$44.4 billion in 2007–08, dropped to \$39.9 billion, a decline of 10.1 percent.

2008-09 BOE Revenues

Billions of dollars



Significant Legislation

Temporary Sales and Use Tax Rate Increase

Assembly Bill 33 (Statutes 2009, Chapter 18) temporarily increases the General Fund portion of the sales and use tax rate by one percent (1%). The increase is effective starting April 1, 2009, and will sunset on June 30, 2011.

New Registration and Reporting Requirements for Certain Purchasers

Assembly Bill 18 (Statutes 2009, Chapter 16) added section 6225 to the Revenue and Taxation Code. Section 6225 requires “qualified purchasers” to register with the BOE and report all purchases subject to use tax from the previous calendar year and pay use tax by April 15 of each year.

Vehicles, Vessels, and Aircraft Purchased Outside California

Assembly Bill 1452 (Statutes 2008, Chapter 763) provides that, as of October 1, 2008, any vehicle, vessel, or aircraft purchased outside California and brought into this state during the first 12 months from the date of its purchase, is presumed to be acquired for storage, use, or other consumption in this state and subject to California use tax if certain conditions are met.

Offer in Compromise Program Expanded

Assembly Bill 2047 (Statutes 2008, Chapter 222) expands the BOE’s Offer in Compromise Program for tax and fee liabilities. Beginning January 1, 2009, and continuing through January 1, 2013, the Offer in Compromise Program includes open and active businesses that have not received reimbursement from the taxes or fees owed; successors of business that may have inherited tax or fee liabilities from their predecessors; and consumers who are not required to hold a seller’s permit but incurred a use tax liability.

Managed Audit Program

Assembly Bill 3079 (Statutes 2008, Chapter 306) indefinitely extends the BOE's Managed Audit Program that was set to expire on January 1, 2009. Under this program, taxpayers can perform an audit of their own books and records with limited guidance from the BOE auditors, in order to determine possible tax deficiencies. As an added incentive to participate in the program, the taxpayer is liable for only one-half of the interest usually imposed under current law.

Qualified Motion Picture Tax Credit

Senate Bill 315 (Statutes 2009, Chapter 17) authorizes an income tax credit based on qualified expenditures for qualified productions that are produced in California. In lieu of claiming that credit, the bill allows qualified taxpayers to claim either a refund of qualified sales and use taxes paid under the Sales and Use Tax Law, or a credit against qualified sales and use taxes imposed on the taxpayer. The California Film Commission (CFC) is required to administer the \$500 million tax credit allocation and credit program, which begins July 1, 2009. The credits cannot be claimed until a Credit Certificate is issued by the CFC; certificates will not be issued prior to January 1, 2011.

Improving Operations

Business Plan Initiated

The BOE initiated the *3 Year Business Plan Fiscal Year 2008-2011* to serve as a work plan for the BOE's Strategic Plan. The *Business Plan* tracks objectives, measures of success, and key deliverables related to the Strategic Plan goals, and provides management a means to determine progress toward these goals. The *Business Plan* is designed to be a living document and will be reviewed annually and revised as needed for new information or priorities.

Technology Strategic Plan

In April 2009, the BOE unveiled *The 2020 Plan: Roadmap to the Future*; a plan that describes the strategic concepts and goals required for the BOE to conduct business effectively in the year 2020. A collaborative process between BOE's business and technology staff, the *2020 Plan* is a road map to build a digital environment that is more effective and less dependent on physical office and storage space than it is today.

BOE Going Paperless

The BOE launched its most assertive effort to increase electronic filing participation by phasing out mailing paper returns to sales and use taxpayers beginning in October 2008. In one year, the BOE's e-filing participation rate grew from under 100,000 efiled returns/prepayments in fiscal year 2007-08 to over 1.13 million in fiscal year 2008-09. As a result, the BOE realized cost savings and increased government efficiencies and, at the same time, provided taxpayers an easy, quick, and accurate method to file a return.

Tax Gap Programs

Sales and Use Tax Department

The Sales and Use Tax Department implemented several programs to help close the tax gap (the difference between sales and use tax revenue due under the existing laws and the actual amount that is reported and paid). These sales and use tax gap programs also include education, outreach, and other efforts to promote voluntary compliance, plus an enforcement component. As these programs mature and new ones are implemented, voluntary compliance will continue to increase, the playing field for California businesses will level, and revenues for the state will increase. An explanation of these programs follows.

HIGHLIGHTS

- **Tax Gap Initiative.** This program has generated revenue of approximately \$39.9 million for fiscal year 2008–09.
 - **In-State Service Businesses.** This program identifies service industry businesses most likely to have use tax liability for obtaining voluntary compliance.
 - **Audit and Collection Enhancements.** The BOE increased the number of audit and collection staff to achieve more enforcement efforts.
 - **Expanded Bankruptcy and Out-of-State Collections.** Increased payment of tax from bankrupt accounts and from out-of-state sellers through improved outreach, education, and data matching efforts with the Franchise Tax Board (FTB).
- **U.S. Customs.** This program reviews Federal U.S. Customs data for California–destined purchases to pursue use tax collection on imported items. This program has generated revenue of approximately \$17 million for fiscal year 2008–09.
- **Agricultural Inspection Stations.** Extended through the 2009–10 fiscal year and in partnership with the Department of Food and Agriculture (CDFA), this program identifies and investigates tax evasion and tax underpayment by businesses and consumers purchasing merchandise out-of-state and bringing it into California. This program has generated revenue of approximately \$13.2 million for fiscal year 2008–09.

Statewide Compliance and Outreach Program

Beginning in July 2008, the Sales and Use Tax Department implemented a Statewide Compliance and Outreach Program (SCOP) that involved seven teams, located throughout the state, conducting door-to-door visits of all nonresidential businesses to verify permits and licenses required by the BOE. During the fiscal year, SCOP team members visited over 64,900 retail and service businesses. Of those visits, approximately 1,550, or 2.4 percent, were found to be operating without a valid seller’s permit. As a result, the SCOP generated revenue of approximately \$19.1 million.

Cigarette and Tobacco Products Retail License

The Excise Taxes Division, in collaboration with the BOE’s Sales and Use Tax Department, implemented new registration processes and programming functionality pertaining to the issuance of a Cigarette and Tobacco Products Retail License. This substantially reduced the time needed to issue a license.

Increased Interagency Cooperation

Better Use of Technology

The Environmental Fees Division worked with the California State Water Resources Control Board (SWRCB) to provide direct access to data on the Water Rights Program through the state’s centralized data center. This process allows the SWRCB to obtain computerized reports without using BOE resources, which significantly improved efficiency for both agencies in the administration of this program.

Special Taxes and Fees Department

The Environmental Fees Division worked with the California Department of Public Health (CDPH) to successfully identify 1,500 new registrants in 2009 for the Occupational Lead Poisoning Prevention Fee Program.

Fuel Taxes Compliance

The Fuel Taxes Division, along with the Texas Comptroller of Public Accounts and North Carolina Department of Revenue, partnered with the Internal Revenue Service (IRS) in the Joint Operations Center (JOC) Project for National Fuel Compliance. The JOC established a National Data Center in the Washington, D.C. area and is receiving and combining staff, data, and expertise from both federal and state governments to effectively identify fuel taxes, underreporting, nonreporting, and trends leading to evasion. These pooled resources provide benefits to both state and federal fuel taxes compliance efforts.

Interagency Intercept Program

The Special Operations Branch of the Legal Department facilitated the Interagency Intercept Program, commonly known as the “offset program.” In coordination with the Special Taxes, Sales and Use Taxes, and Timber Tax programs, a determination is made whether an Employment Development Department (EDD), Franchise Tax Board (FTB), or Alcoholic Beverage Control (ABC) refund should be intercepted and forwarded to the BOE for credit against an outstanding liability, prior to being refunded to the taxpayer. Taking a proactive approach, the Special Operations Branch revised its internal procedures in an attempt to achieve additional revenue recovery for the state. More than \$3.5 million in intercepted refunds were credited to the BOE for taxpayer liabilities in the fiscal year 2008-09.

Increased Internet Resources

New Online Training

The County-Assessed Properties Division implemented an interactive online training course that provides an overview of property taxation in California and introduces new real property appraisers and auditor-appraisers to the fundamentals of appraising for property tax purposes. The course covers appraisal principles and the various approaches to value, as well as the economic aspects and legal definitions of market value and California property tax laws. This course is hosted through the Los Rios Community College District with BOE staff serving as instructors. This facilitates a new method of providing mandatory training to county assessors’ staff with cost savings to the BOE and county assessors, and resulting in effective and consistent delivery of information.

Instructional Video for Assessment Appeals

The Taxpayers’ Rights Advocate Office and the County-Assessed Properties Division completed a new video, “[Your Assessment Appeal](#).” This resource assists taxpayers who are considering filing an appeal of their property tax assessments with their local board of equalization or assessment appeals board.

Internet Site Redesigned

Following a professional website usability study including user testing, the BOE’s website underwent a complete facelift and restructuring of its navigation. The redesigned site is more user-friendly than its predecessor, and has received very positive feedback from BOE customers.

Improved Access to Translated Documents

The BOE redesigned the [multilingual webpage](#) to highlight the availability of information in multiple languages. Significant information was developed for Spanish, Chinese, Korean, and Vietnamese. These webpages include information such as BOE publications, forms, free educational classes, and basic information needed to do business in California.