

# Revenues

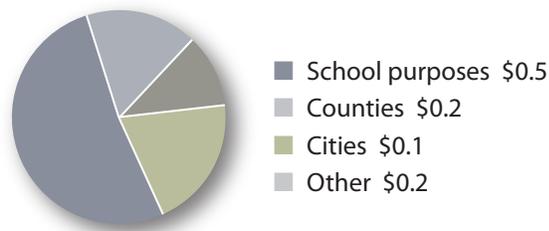
## Property Taxes

California property tax levies for fiscal year 2008-09 totaled \$49.8 billion, an increase of 5.6 percent from the previous year's total of \$47.2 billion. County-assessed property values fell \$106.6 billion during 2008-09 to reach \$4.4 trillion for the 2009-10 tax year.

In 2009, the BOE set the values of state-assessed properties, primarily privately owned public utilities and railroads, at \$76.1 billion for the 2009-10 roll. This was a \$400 million increase from 2008-09 values. State-assessed properties produced an estimated \$831 million in local property tax revenues for the state's 58 counties in 2008-09.

For detailed property tax information, please see the [Appendix, pages A-5 through A-24](#).

### 2008-09 General Property Tax Dollar



## Programs

Under its constitutional mandate, the BOE oversees the assessment practices of the state's 58 county assessors, who are charged with establishing values for approximately 13.5 million assessments each year. In addition, the BOE assesses the property of regulated railroads and specific public utilities, and assesses and collects the private railroad car tax and timber yield tax.

### General Property Taxes

County-assessed property values for the 2009-10 roll decreased 2.4 percent from the previous year. This is the first year-to-year decline in the statewide total since the BOE began keeping records in 1933. Dramatic declines in home prices and building construction activity were responsible for the fall in property values.

Proposition 13, passed by California voters in 1978, imposed a property tax rate of one percent of the property's full cash value, with limited exceptions. In addition, it allows reappraisal of real property at current fair market value only when there is a change in ownership or upon completion of new construction. Otherwise, Proposition 13 limits annual increases in the value of real property to the previous year's California Consumer Price Index for all items, up to a maximum of two percent.

### State-Assessed Properties

In accordance with Article XIII, section 19 of the California Constitution, the Board assesses certain public utility and other specified properties and allocates the assessed values among the counties where the properties are physically located. Each county taxes the allocated value of state-assessed properties at the same rate as locally assessed properties.

State-assessed properties include:

- Pipelines, flumes, canals, ditches, and aqueducts lying within two or more counties.
- Property (except franchises) owned or used by regulated railway, telegraph, or telephone companies; railroad car companies operating on railways in the state; and companies transmitting or selling gas or electricity.

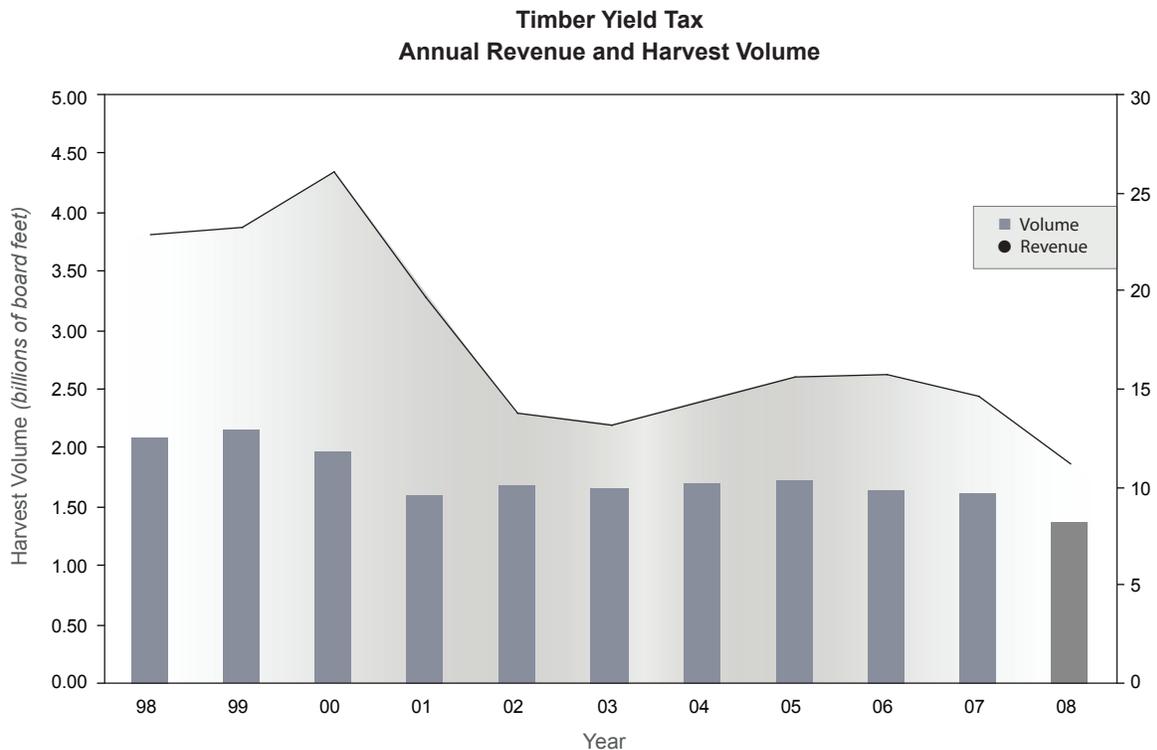
### Private Railroad Car Tax

Private railcar owners pay the private railroad car tax on railcars operated in California. For 2009-10, the Board-adopted assessed value for private railroad cars totaled \$535.9 million. The total assessed value reflects the application of a 58.01 percent assessment ratio as required by the Federal Railroad Revitalization and Regulatory Reform Act. The estimated private railroad car tax revenue for the state’s 2009-10 General Fund is \$5.9 million.

Additional information on the private railroad car tax can be found in the [Appendix on pages A-23 and A-24](#) and in the [foldout chart](#).

### Timber Yield Tax

Timber owners pay the 2.9 percent timber yield tax based on the immediate harvest value of trees harvested for wood products. Revenues are returned to the counties where the timber was harvested. Calendar year 2008 revenues totaled \$11.2 million.



## REVENUES

Timber harvest volume declined from the 1.63 billion board feet in 2007 to 1.37 billion board feet in 2008. The total value of the year's harvest decreased to \$323.3 million. The number of registered timber owners decreased from 1,893 active program registrants at the end of June 2008 to 1,633 program registrants as of June 30, 2009. Thirty timber owners paid approximately 73 percent of the tax collected in 2008.

Additional information on the timber yield tax can be found in the [Appendix on page A-22](#) and in the [foldout chart](#).

## Operations

### County-Assessed Properties Division

The County-Assessed Properties Division develops property tax assessment policies and informational materials to guide county assessors and local assessment appeals boards. The division conducts periodic Assessment Practices Surveys of each county assessor's office and issues reports to state and local officials.

In 2008-09, the BOE issued survey reports for the counties of Humboldt, Mariposa, Napa, Riverside, San Benito, Santa Barbara, Santa Clara, Siskiyou, Sutter, and Ventura. Copies of the reports are found in the *Property Tax* section of the BOE's website.

Additionally, the division provides technical expertise and guidance to assessors, the Legislature, and others concerned with property tax assessment matters, and ensures that the content of property tax forms is uniform throughout the state.

The division also collects and administers the state's timber yield tax, described above. Timber Tax Section staff gathers data on timber harvest sales and develops timber harvest value schedules for consideration by the BOE's Timber Advisory Committee and approval by the Board Members. The division also registers timber owners who harvest timber, and collects the timber yield tax.

In 2008-09, County-Assessed Properties Division staff provided the following services to local governments and the public:

- Updated three sections of the Assessors' Handbook to reflect current, annually collected data: Residential Building Costs (AH 531), Rural Building Costs (AH 534), and Equipment Index and Percent Good Factors (AH 581).
- Issued 91 advisory Letters to Assessors.
- Responded by telephone to almost 8,300 public inquiries regarding property tax matters, prepared 1,000 written responses, and responded to 452 inquiries from users of the BOE website.
- Reviewed over 1,205 claims for *Organizational Clearance Certificates* and 487 claims for *Supplemental Clearance Certificates* associated with the welfare exemption.
- Reviewed approximately 510 periodic filings of organizations holding *Organizational Clearance Certificates* to ensure continued eligibility for the welfare exemption.
- Conducted 58 formal appraisal courses and workshops attended by more than 1,475 students. Also reviewed results of web-based, self-study training sessions taken by 274 students.
- Developed one web-based, self-study training session titled *Welfare, Church, and Religious Exemptions*.
- Sent more than 29,797 questionnaires to legal entities, including corporations and partnerships, resulting in the reassessment of 6,396 parcels owned by 653 legal entities.

### State-Assessed Properties Division

The State-Assessed Properties Division provided the Board Members with value indicators for state-assessed properties, described on [page 10](#), and allocated the BOE-determined value of those properties to the counties where the properties are physically located. The division also audited the financial records of utility and transportation companies for property tax purposes and was responsible for the valuation of private railroad cars located in California. Since 1977, their audits have resulted in adjusted property tax assessments of more than \$17.1 billion, yielding additional property tax revenue for local governments.

### Tax Area Services Section

The Tax Area Services Section continued to maintain maps of more than 10,000 revenue district boundaries that encompass 61,465 tax rate areas, helping to ensure the proper allocation of local tax revenue to counties, cities, and special tax districts.

### Appeals

Local assessment appeals boards hear and decide appeals of county-assessed property values. The Board hears and decides appeals of state-assessed property values, appeals filed under the Timber Yield Tax and Private Railroad Car Tax Laws, appeals of welfare exemption denials, and appeals made by local governments concerning assessments of properties they own outside their boundaries. For more information regarding appeals filed with the BOE in 2008-09, see [page 30](#).

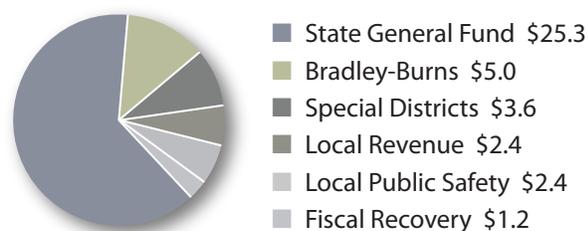
### Sales and Use Taxes

California sales and use tax revenue totaled \$39.9 billion in 2008-09, a decrease of 10.1 percent from the \$44.4 billion total in 2007-08. Sales and use tax revenue included:

- \$31.4 billion from the state sales tax, with:
  - \$25.3 billion allocated to the state’s General Fund; tax rate 5 percent through March 2009, 6 percent effective April 2009.
  - \$2.4 billion allocated to the state’s Local Revenue Fund; tax rate of 0.50 percent.
  - \$2.4 billion allocated to the Local Public Safety Fund; tax rate of 0.50 percent.
  - \$1.2 billion allocated to the state’s Fiscal Recovery Fund; tax rate of 0.25 percent.

### 2008-09 Sales and Use Tax Revenues

*Billions of dollars*



- \$5 billion from the 1.00 percent Bradley-Burns Uniform Local Sales and Use Tax, allocated among all of the state’s 58 counties and 480 cities.

## REVENUES

- \$3.6 billion in special district transactions (sales) and use tax; rates vary by district.

Sales and use tax allocations to the General Fund were 9 percent lower than in 2007-08.

### Programs

Retailers engaged in business in California pay the state's sales tax, which applies to all retail sales of goods and merchandise, except those sales specifically exempted by law. Consumers in California of tangible personal property that is used, consumed, or stored in this state pay use tax. Use tax applies to purchases from out-of-state vendors (including purchases made by mail order, telephone, or Internet) that are not required to collect tax on their sales and applies to most leases of tangible personal property. The state sales tax and use tax are "mutually exclusive" which means either sales tax or use tax applies to a single transaction, but not both.

The sales and use tax rate in a specific California location has three parts: the state tax rate, the local tax rate, and any district tax rate that may be in effect. The statewide combined sales and local tax rate increased from 7.25 percent (6.25 percent state tax rate and 1 percent local tax rate) to 8.25 percent (7.25 percent state tax rate and 1 percent local tax rate) effective April 1, 2009. State sales and use taxes provide revenue to the state's General Fund, to cities and counties through specific state fund allocations, and to other local jurisdictions.

### Local Sales and Use Tax

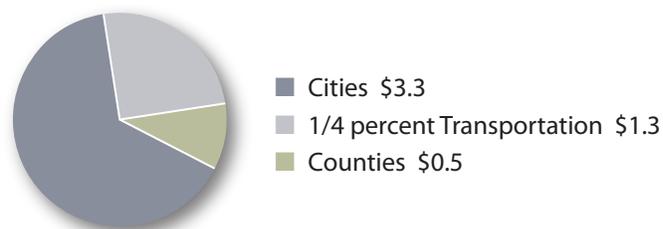
In 2008-09, the BOE collected and allocated the 1 percent Bradley-Burns Uniform Local Sales and Use Tax for all California cities and counties. For each sale, the 0.25 percent local tax was allocated to the county where the sale occurred, for local transportation projects. The remaining 0.75 percent local tax was allocated to the county or an incorporated city, generally depending on the location of the sales negotiations.

City and county local tax distributions are detailed in Tables 21A and 21B of the Appendix, beginning on [page A-30](#).

### 2008-09 Local Sales and Use Tax Distributions

*Billions of dollars*

#### Redevelopment Agencies



Between 1981 and 1993, cities could finance redevelopment projects with revenue derived from the local sales and use tax and distributed under agreement to city redevelopment agencies. While this authority was repealed effective January 1, 1994, existing city ordinances were permitted to continue. As of June 30, 2009, 32 redevelopment projects in 25 California cities were receiving sales and use tax revenue.

## District Transactions (Sales) and Use Tax

The BOE collects and distributes district transactions (sales) and use tax on behalf of voter-approved tax districts throughout the state. The districts fund a range of local services and infrastructure, including general government, transportation projects, open space, hospitals, and public libraries. Some California locations lie within more than one tax district. These district taxes are applied on top of the state tax rate of 8.25 percent.

A complete list of tax districts, jurisdictions, and revenues is found in Appendix Table 21C, beginning on [page A-34](#).

At the beginning of 2008-09, there were 91 district taxes in effect, with rates ranging from 0.10 percent to 1 percent. The following lists all of the new districts that went into effect during fiscal year 2008-09.

<b>EFFECTIVE JULY 1, 2008</b>	
City of El Cerrito Street Improvements Transactions and Use Tax	.50%
City of Reedley Public Safety Transactions and Use Tax	.50%
City of Sanger Public Safety Transactions and Use Tax	.75%
City of Seaside Transactions and Use Tax	1.00%
<b>EFFECTIVE OCTOBER 1, 2008</b>	
City of Mammoth Lakes Parks, Recreation, and Trails Transactions and Use Tax	.50%
City of Pacific Grove Transactions and Use Tax	1.00%
City of Pismo Beach Transactions and Use Tax	.50%
City of South Gate Transactions and Use Tax	1.00%
<b>EFFECTIVE APRIL 1, 2009</b>	
Amador County Fire Protection and Emergency Medical Services Transactions and Use Tax	.50%
Sonoma Marin Area Rail Transportation Authority	.25%
City of Arcata Transactions and Use Tax	.75%
City of Arvin Transactions and Use Tax	1.00%
City of Campbell Vital City Services, Maintenance, and Protection Transactions and Use Tax	.25%
City of El Cajon Service Preservation Transactions and Use Tax	.50%
City of El Monte Transactions and Use Tax	.50%
City of Eureka Transactions and Use Tax	.25%
City of Galt Public Safety Transactions and Use Tax	.50%
City of La Habra Transactions and Use Tax	.50%
City of La Mesa Transactions and Use Tax	.75%
City of Oxnard Vital Services Transactions and Use Tax	.50%
City of Pico Rivera Transactions and Use Tax	1.00%
City of Port Hueneme Transactions and Use Tax	.50%
City of Scotts Valley Transactions and Use Tax	.25%
City of Trinidad Transactions and Use Tax	.75%

## REVENUES

The following district taxes terminated in fiscal year 2008-09:

- The City of Clovis Public Safety Transactions and Use Tax expired on September 30, 2008.
- The City of Trinidad General Revenue Transactions and Use Tax expired on December 31, 2008.
- The City of Scotts Valley Transactions and Use Tax ended on March 31, 2009.
- The City of Laguna Beach Temporary Transactions and Use Tax also ended on June 30, 2009.

Sales made by retailers in a jurisdiction levying a district tax are generally subject to a total sales tax rate that includes the statewide rate and the applicable district tax rate (see Appendix Table 23B, on page [A-40](#)).

While the provisions of the Transactions and Use Tax Law are similar to state and local sales and use tax laws, significant differences do exist. These include an exemption for sales shipped to a location outside the district for use in that location and special requirements for sales of aircraft, registered vehicles, and undocumented vessels. Property purchased for use in a district may be subject to that district's use tax.

### Operations

The BOE encourages voluntary tax law compliance and offers sales and use tax assistance through its Sacramento Headquarters and 22 field offices located across the state. BOE staff in the agency's New York, Chicago, Houston, and Sacramento Out-of-State field offices assist taxpayers located outside California who are registered to do business in this state.

As of June 30, 2009, the number of sales and use tax permits totaled 857,271, which represented 1,053,475 business locations. The agency processed 3,149,023 sales and use tax returns, which included prepayment forms and electronically filed (efiled) returns. Of this figure, 1,131,179 returns (including prepayment forms) were efiled.

### Compliance Activities

BOE compliance staff ensure that sellers properly comply with permit requirements, assist them in interpreting tax laws and regulations, provide classroom instruction and individual assistance in the correct preparation of tax returns, and collect outstanding tax amounts. In 2008-09, the Sales and Use Tax Department collected over \$900 million in delinquent sales and use taxes.

### Consumer Use Tax Section

The Consumer Use Tax Section works closely with state and federal agencies in administering the use tax due on nondealer sales of vehicles, vessels, aircraft, and mobile homes, and on purchases identified on customs declarations. In 2008-09, revenues totaled \$490.4 million, including funds collected by the BOE and:

- \$440.7 million collected by the Department of Motor Vehicles (DMV).
- \$3.2 million collected by the Department of Housing and Community Development (HCD).

### Audit Program

The BOE maintains an effective audit program to ensure that businesses report neither more nor less tax than required. The program audits nearly 1 percent of active master accounts each year, concentrating on those considered most likely to be inaccurate in their tax reporting. In fiscal year 2008-09, the sales and use tax audit program disclosed net deficiencies of more than \$591.9 million. Taxpayers received more than \$124.4 million in sales and use tax refunds.

### Areas of Taxpayer Noncompliance

To comply with requirements of the Taxpayers’ Bill of Rights, the BOE annually:

- Identifies the areas of the Sales and Use Tax Law where taxpayer noncompliance is highest.
- Classifies the types of businesses making errors.

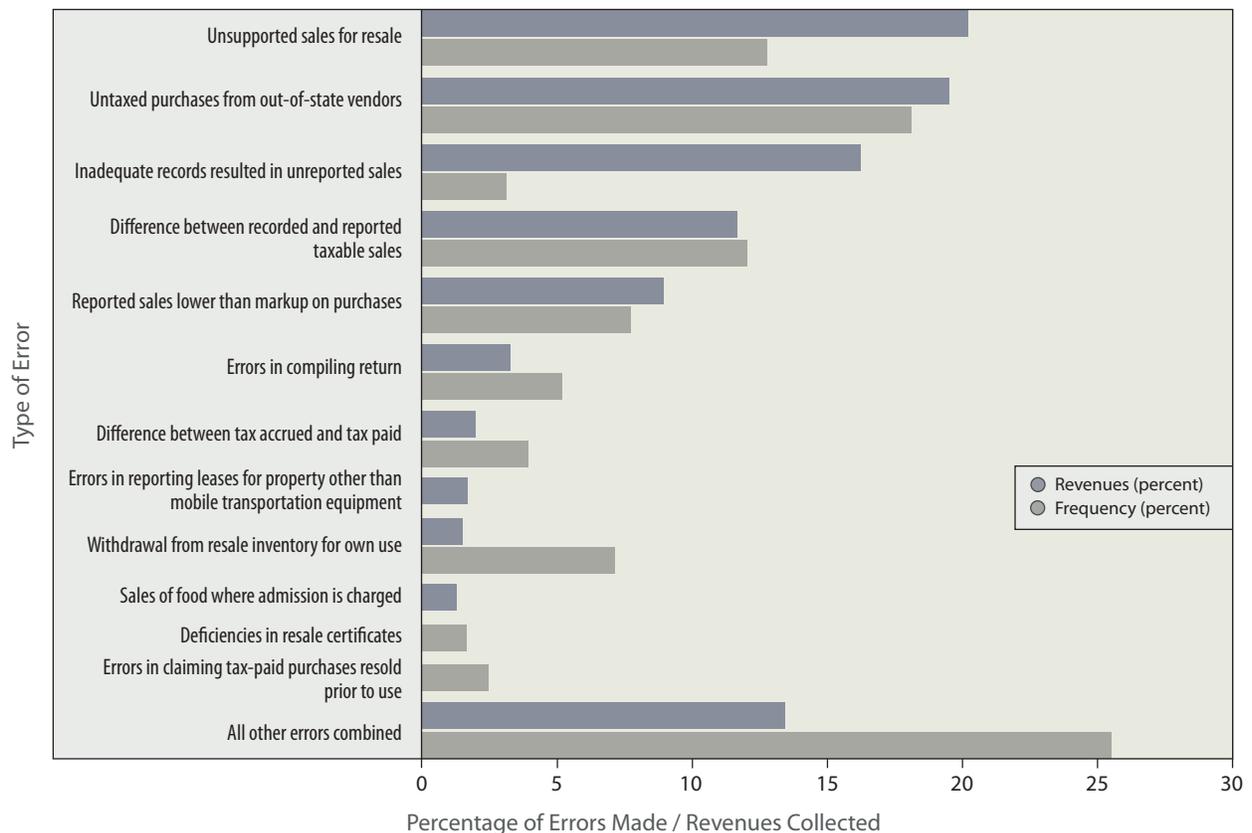
The *Unsupported sales for resale* category was the most costly and the second most frequent to include errors, representing approximately one in ten taxpayer errors. This noncompliance category accounted for over 20 percent of all net sales and use tax audit deficiencies (less refunds), or more than \$98 million in unpaid tax. *Failure to pay use tax on purchases from out-of-state vendors* was the second most costly and the most frequent category of taxpayer noncompliance. Almost two in ten taxpayer errors occurred in that category. This area of noncompliance made up almost 20 percent of net sales and use tax audit deficiencies (less refunds), totaling more than \$95.5 million in unpaid tax.

The following charts summarize the BOE’s findings on the types of taxpayer noncompliance for fiscal year 2008-09 and provide other tax compliance information required by the Taxpayers’ Bill of Rights.

## Analysis of Noncompliance, 2008-09

### Types of Noncompliance

#### Frequency of Errors/Revenues Collected



## REVENUES

### Type of Business Making Error

*Ranked by Revenues Collected*

TYPE OF BUSINESS	PERCENTAGE List high to low	RANK 2008-09
Public Utilities, Transportation, and Allied Services	14.86	1
Gasoline Stations	10.78	2
Manufacturers and Wholesalers of Store and Office Equipment	7.55	3
Publishers and Distributors of Light Industrial Equipment	7.15	4
Used Automotive Dealers	5.48	5
Appliance Stores	4.18	6
Construction Contractors and Sellers of Building Materials	3.45	7
Full-Time Specialty Stores	3.38	8
Office Stores and School Furniture Equipment Stores	3.22	9
Lumber and Building Material Dealers	2.92	10
All Other Businesses	37.03	
Total	100.00	

### Tax Evasion

Noncompliance may also be intentional. In 2008-09, the Investigations Division issued audit billings for over \$6.1 million related to sales tax evasion. Of the \$6.1 million, approximately \$1.2 million was the result of cases from the division's Business License Inspection Program (BLIP) pilot program that ended in June 2008.

### Special Taxes and Fees

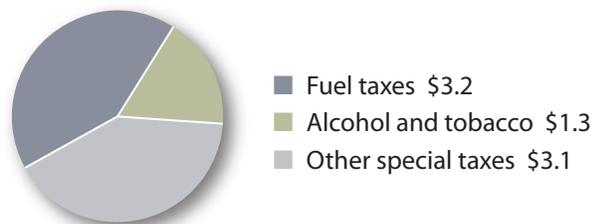
In 2008-09, the BOE administered 20 special tax and fee programs that encompass a broad range of activities and transactions. Revenues from the insurance tax, alcoholic beverage tax, and a portion of cigarette tax receipts are allocated to the state's General Fund. Other special taxes and fees fund specific 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 \$7.7 billion in 2008-09, a decrease of 3.4 percent from 2007-08 total revenues of \$7.9 billion. Fuel taxes totaled \$3.2 billion, while alcohol and tobacco taxes totaled approximately \$1.3 billion.

## 2008-09 Special Tax and Fee Revenues

*Billions of dollars*



## 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 that accompanies 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 \$324 million in 2008-09, a 1 percent decrease from 2007-08. Program registrants numbered 6,079 at the end of the fiscal year. Consumption data is found in Tables 28 and 29 beginning on page A-50 in the Appendix.

### California Tire Fee

Revenues totaled \$46.9 million in 2008-09. At fiscal year end, 11,785 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 2008-09, fee collections totaled \$18.8 million. At the end of the fiscal year, 947 fee payers 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 2008-09 totaled \$1.9 million. During the fiscal year, the Excise Taxes Division issued licenses to 30 cigarette manufacturers and importers, 74 tobacco product manufacturers and importers, 578 distributors, 444 wholesalers, and 37,615 retailers. The division also processed 632 citations and conducted 243 appeal hearings.

The program also requires the BOE to conduct compliance inspections of cigarette and tobacco product vendors. In 2008-09, the Investigations Division conducted 9,495 compliance inspections, issued 639 citations for various violations of the cigarette and tobacco tax laws, and executed 553 seizures of contraband products. The seizures included 87,735 packs of contraband cigarettes and contraband tobacco products with a wholesale cost of \$1.5 million.

## REVENUES

### Cigarette and Tobacco Products Taxes

Combined revenues for these taxes totaled \$1 billion in 2008-09, including \$918.2 million from cigarettes and \$85.5 million from other tobacco products. These taxes are collected from cigarette and tobacco products distributors. At the end of June 2009, 670 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-55](#).

### Diesel and Use Fuel Taxes

Combined revenues from diesel and use fuel taxes totaled \$523.3 million for 2008-09, including \$85.3 million from the interstate user tax.

**Diesel fuel tax.** There were 31,878 businesses and individuals registered for the diesel fuel tax program as of June 30, 2009. Most are registered for fuel tracking or refund purposes. Two hundred and sixty-one (261) diesel fuel suppliers paid more than 85 percent of the 2008-09 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 23,732 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 1,182 of these non-IFTA carriers registered as of June 30, 2009.

**Use fuel tax.** At the end of the fiscal year, 834 alternative fuel users and 195 fuel vendors were registered with the BOE.

### Electronic Waste Recycling Fee

Electronic Waste Recycling Fee revenue totaled \$108 million in 2008-09. As of June 30, 2009, 13,530 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 2008-09 were \$107.8 million. As of June 30, 2009, 459 telephone service suppliers were registered with the BOE.

### Energy Resources Surcharge

Revenues totaled \$57 million in 2008-09. At the end of the fiscal year, program registrants included 95 electric utilities and consumers.

### Hazardous Substances Tax

The BOE administers five hazardous waste fee programs in cooperation with the DTSC. Fee revenues for 2008-09 and the number of businesses registered at the end of the fiscal year follows:

**Activity fees.** Revenue: \$254,000. 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: \$6.5 million; registered facilities: Nine.

**Environmental fee.** Revenue: \$42.7 million; registered organizations: 51,179.

**Facility fee.** Revenue: \$5 million; registrants: 201 facilities.

**Generator fee.** Revenue: \$24.7 million; registrants: 6,187 fee payers with a total of 22,137 sites in the state.

### **Insurance Tax**

Revenue from this tax, levied against insurance companies instead of most other California taxes, totaled \$1.9 billion for 2008 business. As of June 30, 2009, 2,003 insurance companies were registered to pay the tax, and 512 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 \$48.6 million in 2008-09. As of June 30, 2009, 182 solid waste landfill and wood waste facility operators were registered for the program that is administered in cooperation with the CIWMB.

### **Marine Invasive Species Fee**

Revenues totaled \$4 million for 2008-09. As of June 30, 2009, 3,498 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 \$2.7 billion for 2008-09. There were 271 businesses registered in the program at the end of the fiscal year: 130 suppliers and 141 other accounts.

**Aircraft jet fuel tax.** Aircraft jet fuel tax collections for the year totaled \$2.5 million, based on the taxable sale or use of 122.8 million gallons of jet fuel. As of June 30, 2009, 237 jet fuel dealers were registered with the BOE.

### **Natural Gas Surcharge**

Surcharge revenue totaled \$448.1 million in 2008-09. As of June 30, 2009, eight public utility gas corporations and four consumers who purchased gas through interstate pipelines were registered for the program.

### **Occupational Lead Poisoning Prevention Fee**

Total revenues for 2008-09 were \$3.4 million. At the end of the fiscal year, 16,722 fee payers 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 2008-09 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 2008-09 totaled \$26.9 million. The number of registrants for the program totaled 34 as of June 30, 2009.

## REVENUES

### Underground Storage Tank Maintenance Fee

Revenues totaled \$224.2 million in 2008-09. As of June 30, 2009, 7,526 fee payers with 13,631 tank locations were registered for this program, which the BOE administers in cooperation with the SWRCB.

### Water Rights Fee

Revenues totaled \$8.3 million in 2008-09. As of June 30, 2009, 13,219 fee payers 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 453,312 special tax and fee program returns during the 2008-09 fiscal year, including 156,268 fuel tax returns, 128,359 excise tax returns, and 168,685 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 \$46 million in net tax and fee deficiencies and identified more than \$3.4 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.

### 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 2008-09, 37.5 percent of seizures contained products not listed on the Tobacco Directory, a decrease of approximately 2.4 percent from the prior fiscal year.

### Tax Evasion

Tax evasion makes up a large part of California's "underground economy." The Investigations Division assessed over \$14.8 million for evasion of cigarette and tobacco product taxes in fiscal year 2008-09.