March 4, 2019

The Honorable Toni G. Atkins  The Honorable Anthony Rendon
President pro Tempore of the California Senate Speaker of the California Assembly
State Capitol, Room 205 State Capitol, Room 219
Sacramento, CA  95814  Sacramento, CA  95814

Dear Senator Atkins and Assembly Member Rendon,

On behalf of the newly elected Members of the Board of Equalization, we write to respectfully oppose Assembly Constitutional Amendment 2 (Nazarian), which would eliminate the Board of Equalization (BOE) and transfer its functions to other state tax agencies.

For the reasons articulated below, we believe this measure is premature and should be held in abeyance until the reforms enacted in AB 102 (Chap. 16, Stats. 2017) can be fully implemented and evaluated. Our opposition is reasonable and appropriate considering the magnitude of the changes enacted in AB 102 and the effect of these changes on individual taxpayers and businesses, as well as on tax administration policy and practices.

In 2017, the Legislature enacted, and Governor Brown signed AB 102, a bill that transferred many of the statutory functions of the BOE to the newly created departments: California Department of Tax and Fee Administration (CDTFA) and Office of Tax Appeals (OTA). These changes went into full effect in January 2018; however, they have been neither fully implemented nor evaluated. Before the Legislature enacts another major change to state tax administration, we believe it would be prudent to determine if the reforms enacted in 2017 are indeed working and fulfilling the findings and declarations of AB 102 to "put fairness, consistency, and transparency of the tax administration and appeals processes in the forefront."

As an entirely new Board whose members were elected in 2018, we are dedicated to restoring confidence in the reputation of the BOE, which has had a long history as one of the premier revenue agencies in the country. We look forward to working closely with the Legislature in fulfilling the spirit of the reforms that were enacted in 2017 and 2018. The BOE, through its elected Board Members, provides for direct accountability and transparency regarding property tax administration, state assessees' value setting, and property taxpayer services. Each one of us serves as the direct representative for approximately 10 million Californians.

Dismantling the important and significant constitutional mandates and responsibilities of the BOE furthers no policy goal other than ending the direct representation of taxpayers through their elected officials and transferring historic constitutional functions to bureaucrats in another state tax agency with less transparency and accountability to the public.
BOE Ensures Uniform Standards for Property Tax Administration

The BOE is constitutionally mandated to ensure the fair, efficient, and uniform administration of property taxes in California's 58 counties by overseeing the assessment practices of local county assessors’ offices. The BOE’s County-Assessed Properties Division develops property tax assessment policies and informational materials to guide county assessors and local assessment appeals boards.

The BOE provides crucial oversight of all 58 county assessors who collectively assess the vast majority of property in California and acts as the assessor for the remainder of the taxable property in California. Under ACA 2, elected county assessors (responsible for valuing over $5.7 trillion worth of property, which generates over $62 billion in property tax revenue) would have their assessment policies developed and their assessment practices reviewed by unelected bureaucrats. This pivotal and important role should be held by elected officials accountable to their constituents.

BOE Establishes Values for State-Assessed Property in Open Public Meetings

Under its constitutional mandate, the BOE assesses the property values of railroads and privately held utilities, including gas, electric, and telephone companies. These state-assessed properties were valued at approximately $109.8 billion for the 2018 roll and generated $1.57 billion in revenue for the 58 counties.

Under ACA 2, bureaucrats, not accountable elected officials, would establish these values for state assessees.

The BOE’s Responsibilities Extend Beyond Property Taxes

The BOE’s constitutional mandates include assessing and collecting excise taxes on the manufacture, importation, and sale of alcoholic beverages; assessing and collecting the private railroad car tax; and hearing appeals of denials of claims for refunds or petitions for redetermination regarding the tax on insurers and alcoholic beverage tax.

The Board hears appeals of denials of organizational clearance certificates and supplemental clearance certificates related to the welfare exemption and appeals from local governments on properties owned outside of their boundaries.

The BOE’s Taxpayers’ Rights Advocate Office assists taxpayers in complying with property tax laws, including seniors and disabled veterans.

Today’s BOE is not the BOE that prompted the passage of AB 102

As newly elected Board Members, we are dedicated to seeing the reformed BOE continue to fulfill the core constitutional responsibilities and functions invested in us by our constituents. We are committed to exercising these responsibilities and functions in a transparent and open manner, knowing that the highest standards of ethics and fiscal responsibility must guide the operations of the BOE and the actions of its Board Members.
We urge your consideration of the issues we have raised regarding ACA 2 and its companion bill, AB 576. If you have questions or comments regarding this correspondence, please contact Chairwoman Cohen directly at 1-415-557-3000 for further discussion.

Sincerely,

Chair, Malia M. Cohen

Vice-Chair Antonio Vazquez

Member Ted Gaines

Member Mike Schuerer

cc: Honorable Members of the California State Senate
    Honorable Members of the California State Assembly