



STATE BOARD OF EQUALIZATION

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April 12, 2013

The Honorable Tom Ammiano, Chair
Assembly Public Safety Committee
State Capitol, Room 3146
Sacramento, CA 95814

Dear Assembly Member Ammiano:

Assembly Bill 781 (Bocanegra) is set for hearing in the Assembly Public Safety Committee on April 23, 2013. **Sponsored by the Board of Equalization (BOE)**, this bill makes it a crime to knowingly sell, purchase, install, transfer or possess software programs that falsify reported sales under specified BOE tax and fee programs.

Sophisticated Tax Fraud. The BOE has recently become aware of an electronic method to skim sales that allows retailers to conceal or remove sales transactions from recordkeeping systems and underreport their tax or fee liabilities. When retailers use this technology, detecting understated sales in tax or fee audits is difficult.

Unfair Competitive Advantage. Use of this technology not only defrauds the state, but provides users an unfair competitive advantage over taxpayers who comply with the law and pay their fair share of taxes and fees. Accordingly, the BOE Members believe that California must be proactive and curtail the use of these sales suppression devices.

No Legitimate Use of this Software. Current law imposes criminal penalties for deliberate taxpayer fraud and evasion and criminal sanctions play an important role in tax administration. Specifically criminalizing and punishing the transfer, installation, and use of sales suppression devices serves as a strong deterrent to potential offenders.

A copy of the staff analysis of this measure is attached. If you have any questions or need additional information regarding this bill, please contact our Legislative Counsel, Michele Pielsticker, at (916) 322-2376.

Sincerely,

Cynthia Bridges
Executive Director

CB:ap

Attachment