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Contact: Anita Gore
916-327-8988

Local Sales Tax Allocations Increase Statewide

Michelle Steel, Third District Member of the State Board of Equalization (BOE), announced today that May sales tax allocations to local governments will be roughly increased by 3.7 percent, due to positive growth in statewide cash receipts during the first quarter of 2010.

An analysis of first quarter 2010 cash receipts show noticeable increases in taxable transactions in used car sales, department stores, and gasoline retailers. In light of these developments, the BOE has rescinded the decrease of 3.7 percent initially applied to the advances for the first quarter. The BOE makes monthly allocations to 768 local jurisdictions based on a formula that includes historical allocations, growth factor adjustments to the base, fund transfers and audits. During economic uncertainty, cash receipts are reviewed to identify revenue shortfalls to determine if further adjustments are warranted.

Beginning in the fourth quarter of 2008, the BOE reduced advance payments to local taxing jurisdictions beyond adjustments based on the negative growth factors projected by the Department of Finance due to an unprecedented drop in taxable sales stemming from the recession. Broad scale downward monthly advance adjustments were made in February, May, August, and November of 2009. In addition to the many local jurisdictions whose payments were reduced, some jurisdictions received no payments at all in those months. No secondary broad scale adjustments were necessary in February 2010 for fourth quarter 2009 payments.

Elected to the Board of Equalization in 2006, Michelle Steel serves as Southern California's elected taxpayer advocate. In 2008, Steel uncovered a \$42 million mistake in the agency's sales tax refund procedures. Following her investigation, the tax agency refunded tax security deposits to over 5,500 small businesses.

The five-member California State Board of Equalization (BOE) is a publicly elected tax board. The BOE collects more than \$53 billion annually in taxes and fees supporting state and local government services. It hears business tax appeals, acts as the appellate body for franchise and personal income tax appeals, and serves a significant role in the assessment and administration of property taxes. For more information on other taxes and fees in California, visit www.taxes.ca.gov.

Schedule of May 2010 payments: http://www.boe.ca.gov/news/pdf/1q10_adjustments_to_jurisdictions.xls

Sample Letter: http://www.boe.ca.gov/news/pdf/Sample_Letter_May2010.pdf

November 2009 Press Release: <http://www.boe.ca.gov/news/2009/120-09-G.pdf>

August 2009 Press Release: <http://www.boe.ca.gov/news/2009/71-09-G.pdf>

May 2009 Press Release: <http://www.boe.ca.gov/news/2009/44-09-G.pdf>

March 2010 Press Release: <http://www.boe.ca.gov/news/2010/31-10-G.pdf>

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