



State Board of Equalization

News Release

Chairman Jerome E. Horton

4th District – Los Angeles

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Jerome E. Horton Releases Use Tax Payments Analysis

Jerome E. Horton, Chairman of the California State Board of Equalization (BOE), today released a staff analysis of use tax payments made by California taxpayers on their personal income tax forms.

Summarizing the findings of the August edition of the *Economic Perspective*, produced by BOE research staff, Horton said that “use tax payments are heavily concentrated in high income households. They vary greatly according to both household income group and geography.”

Use tax is owed when a consumer makes a purchase from an out-of-state retailer who does not collect California tax. When the out-of-state retailer does not collect the tax, the consumer is responsible to make the use tax payment directly to the state. Since 2004, consumers have had the option of reporting and paying their use tax due by completing a line on their state income tax form.

A convenient way for individuals to pay use taxes is to report their liabilities on the line provided on personal income tax forms. Data from the Franchise Tax Board (FTB) indicate that California households paid about \$10.4 million in use tax payments on their personal income tax returns related to calendar year 2009 liabilities.

Comparable Data for calendar year 2010 liabilities are incomplete because taxpayers can file for extensions, making their tax payments due in October. However, preliminary data indicate that use tax payments related to 2010 liabilities are likely to be up about 9 percent, implying use tax payments of around \$11.3 million. Board of Equalization research staff tabulated the available 2009 data for the state as a whole and for the ten most populous counties in the state by income class for four broad income classes.

“This report is a first step for us to better understand who is paying use tax and enables us to more efficiently target our educational outreach programs,” Horton said.

The statewide data indicate that:

- About 0.42 percent of taxpayers reporting any adjusted gross income (AGI) made use tax payments on their income tax forms.
- A larger percentage of relatively high income taxpayers reported use tax payments than did low income households. A little over one percent (1.12 percent) of California taxpayers with AGI over \$100,000 reported use taxes, while 0.15 percent of households with AGI less than \$30,000 reported use taxes.
- Use tax payments averaged \$170 per household.
- High income households (AGI over \$100,000) averaged the highest use tax payments, \$311 per household. Low income households (AGI less than \$30,000) averaged use tax payments of \$76

per household. The lowest average use tax payments were made by households with AGI between \$30,000 and \$60,000, an average of \$70.

- High income households (AGI over \$100,000) accounted for 40 percent of all households reporting use taxes. These high income taxpayers paid 73 percent of all use taxes reported on personal income tax returns.

Data for the ten most populous counties indicate that:

- Percentages of taxpayers with AGI making use tax payments varied from a low of 0.19 percent for both San Bernardino and Riverside counties to a high of 1.03 percent for Santa Clara County. As mentioned earlier, the statewide average was 0.42 percent.
- The statewide pattern of greater percentages of high income taxpayers making use tax payments generally held for these counties, with little variation in county rankings.
- Use tax payments per household ranged from a low of \$77 in San Diego County to a high of \$579 in Contra Costa County. Average use tax payments in Fresno and San Bernardino counties were \$79, very close to those of San Diego County. (The statewide average was \$170 per household.)
- High income households (AGI over \$100,000) averaged the highest use tax payments in Contra Costa County, \$1,180 per household. The second highest reporting for this group was Los Angeles County, \$650 per household. The lowest average use tax reported for high income households was Sacramento County, at \$91 per household. Fresno County was very close to Sacramento County, averaging \$93 per household. (The statewide average for high income households was \$311 per household.)

The *Economic Perspective* newsletter is a quarterly publication produced by the BOE that looks at economic factors of interest or that influence California economic activity.

Elected in 2010, Chairman Jerome E. Horton is the Fourth District Member of the California State Board of Equalization, representing more than 8.5 million residents in Los Angeles County. He is also the Board of Equalization Legislative Committee chairman. He is the first to serve on the Board of Equalization with over 21 years of experience at the BOE. Horton previously served as an Assembly Member of the California State Assembly from 2000-2006.

The five-member California State Board of Equalization is a publicly elected tax board. The Board of Equalization collects more than \$50 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.

August 2011 Economic Perspective: <http://www.boe.ca.gov/news/2011/pub329-8-11.pdf>

California Use Tax Information: <http://www.boe.ca.gov/taxprograms/usetax/index.html>

Ecommerce revenue loss estimate: <http://www.boe.ca.gov/legdiv/pdf/e-commerce-11-10.pdf>

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