



# NEWS RELEASE

**STATE BOARD  
OF EQUALIZATION**

450 N Street  
Sacramento  
California 95814

**JOHN CHIANG**  
Chairman, BOE

**RAMON J. HIRSIG**  
Executive Director

**FOR IMMEDIATE RELEASE**

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Contact: Anita Gore  
Communications Office  
(916) 327-8988  
Website: <http://www.boe.ca.gov>

## **CHIANG SAYS NEW STATE BUDGET GIVES BOE COLLECTIONS A BOOST**

Board of Equalization (BOE) Chair John Chiang announced today that the 2006-2007 state budget, recently signed by Governor Schwarzenegger, increases BOE enforcement efforts to help close the disparity between taxes owed and taxes paid to the state, also known as the “tax gap.” New resources will also allow the BOE to expand its efforts in fair tax administration.

“Closing the tax gap is a priority, and we’ve been given the tools to make headway,” said Chair John Chiang.

Uneven application of existing state sales and excise taxes poses an unfair advantage against tax-paying businesses in California. The budget’s new programs are solely designed to promote compliance with current state law and will contribute to the BOE’s equitable and efficient implementation of the law.

Efforts will focus on collecting previously unpaid taxes from purchasers of cigarettes over the internet, as well as retail businesses who have failed to acquire seller’s permits. In addition, BOE will be able to better analyze data obtained from U.S. Customs and will be monitoring agricultural stations to detect property brought into California subject to unpaid use tax.

The BOE collects sales and use tax and a variety of special taxes and fees including levies on cigarette and tobacco products, fuels, and alcohol. The estimated “tax gap” for sales and use tax is placed at \$1.5 billion.

“It’s our responsibility to diligently pursue unreported taxes and preserve the state’s fiscal health. Every dollar that goes uncollected is a dollar taken from education, public safety, and other critical services in California,” said Chiang.

Funding in the new budget will allow the BOE to recover millions in state tax revenues from internet and mail order cigarette and tobacco purchases. Many out-of-state internet and mail order vendors are not required to collect any tax on purchases sent to California. The BOE plans to follow up on approximately 180,000 out-of-state cigarette and tobacco receipts to let taxpayers know they owe state excise and sales taxes on those purchases. Cigarette excise tax is currently 87 cents per pack; the tobacco tax rate is 46.76% of the product’s wholesale price. Local sales and use tax rates also apply to these purchases. This enforcement is expected to generate \$33.8 million in revenue during the 2006-07 fiscal year.

The largest program installs a retail license enforcement team that will canvass retail establishments to make sure they hold California seller’s permits. A seller’s permit allows a retailer to collect and pay sales tax in accordance with state law. Registered and licensed retailers who comply with state law must compete with an estimated 30,000 to 50,000 unregistered and non-taxpaying stores. The team’s inspections are expected to generate over \$24 million annually.

Detecting and identifying property subject to unpaid use tax will be the job of a new team that will be stationed at California Department of Food and Agriculture and California Highway Patrol inspection stations. The budget also adds resources to a team currently using data from the U.S. Department of Customs to identify property purchased outside of the country that is subject to use tax.

The budget set the agency's overall operating budget at \$369 million for the fiscal year beginning July 1, 2006. The budget also includes new agency programs allowing a study of valuation factors for biopharmaceutical and high-tech equipment and additional staff to administer the International Fuel Tax Agreement (IFTA).

Chairman John Chiang, of Los Angeles, was elected to his first term as Fourth District Member on the State Board of Equalization in 1998, and re-elected in 2002. He was named Chair of the Board in December 2004. He also presided as Chair in 2002.

The five-member Board of Equalization is a publicly elected tax board. The Board collects almost \$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 plays a significant role in the assessment and administration of property taxes.

Other Board Members include Betty T. Yee of San Francisco, Acting Member, First District; Bill Leonard of Sacramento/Ontario, Second District; Claude Parrish of Long Beach, Third District; and State Controller Steve Westly.

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