

BOS-4



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BOARD OF SUPERVISORS
SAN FRANCISCO

STATE OF CALIFORNIA

STATE BOARD OF EQUALIZATION
450 N STREET, SACRAMENTO, CALIFORNIA
PO BOX 942879, SACRAMENTO, CALIFORNIA 94279-0073
1-916-327-4975 • FAX 1-916 327-2568
www.boe.ca.gov

2014 JAN -6 PM 2:59

AK

BETTY T. YEE
First District, San Francisco
SEN. GEORGE RUNNER (RET.)
Second District, Lancaster
MICHELLE STEEL
Third District, Orange County
JEROME E. HORTON
Fourth District, Los Angeles
JOHN CHIANG
State Controller
CYNTHIA BRIDGES
Executive Director

January 2, 2014

Board of Supervisors
City And County of San Francisco
1 Dr. Carlton B. Goodlett Pl, Room 244
San Francisco, CA 94102-4697

* Hard copy of this report is available for review in the Clerk's office.

Dear Member:

I am pleased to present the BOE Annual Report for Fiscal Year 2012-13.

This report documents our journey as we embrace greater transparency and accountability in the fulfillment of our obligation to administer tax programs for the state of California. This report is a significant departure from previous reports and distinguishes itself in several important ways:

- The report provides BOE data and information in a clear, easy-to-read format and highlights the collection of more than \$56 billion in revenue during fiscal year 2012-13.
- The sources of revenues reported by BOE are featured to better inform Californians of the benefits and uses of their tax dollars.

We look forward to meeting the exciting challenges of the future and are proud to serve our great state by doing our part to contribute to a better quality of life for all Californians.

Sincerely,

Cynthia Bridges
Executive Director

CB:az

Enclosures

Document is available
at the Clerk's Office
Room 244, City Hall

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California State
Board of Equalization

ANNUAL REPORT
FY 2012-13

SUPPORTING OUR COMMUNITIES

Funding a Better Quality of Life



BOS-71



STATE OF CALIFORNIA

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Enclosures

1

TAXES AND FEES ADMINISTERED* BY THE CALIFORNIA STATE BOARD OF EQUALIZATION, FY 2012-13

TAX PROGRAM	YEAR ¹ STARTED	WHAT IS TAXED	WHO PAYS: NUMBER OF REGISTRANTS AS OF JUNE 30, 2013	TAX RATE	FY 12-13 REVENUES/ CHANGE FROM FY 11-12	FUND ALLOCATIO (HOW FUNDS ARE U)	
PROPERTY TAXES							
Private Railroad Car Tax	1938	Assessed value of private railcars operated within California	Railcar owners: 225	1.108% of assessed value	\$7.9 million -1.9%	General Fund	
Timber Yield Tax	1977	Timber harvested for forest products	Timber owners: 1,433	2.9% of immediate harvest value	\$7.9 million -2.5%	Distributed to counties where timber harvested	
SALES AND USE TAXES							
Sales and Use Tax (SUT)	Sales tax-1933 Use tax-1935	Sales of merchandise or goods; use, storage, or other consumption of property when sales tax not applicable	Retailers of merchandise or goods; purchasers, under certain circumstances: 928,778, representing 1,164,146 business locations	Of the 7.5% uniform statewide rate, 6.5% represents sales and use tax	\$21.1 billion +9.4%	3.9375% General Fund (effective 7-2011)	
					\$5.5 billion +5.1%	1.0625% Local Revenue Fund 2 (effective 7-2011)	
					\$2.9 billion +7.1%	0.50% Local Revenue Fund	
					\$2.9 billion +7.1%	0.50% Local Public Safety Fund	
					\$1.4 billion +7.3%	0.25% Fiscal Recovery Fund	
Bradley-Burns Uniform Local Sales and Use Tax	1956	Same as Sales and Use Tax above	Same as Sales and Use Tax above	Of the 7.5% uniform statewide rate, 1% represents the local portion	\$5.8 billion +9.2%	0.75% County and incorporated general funds 0.25% County transportation	
District Transactions and Use Tax	1970	See above; applies to transactions within special tax districts and certain shipments into them	Same as Sales and Use Tax above	Ranges from 0.1% to 1% per tax	\$5.0 billion +9.2%	Special tax districts (for example, tions, hospitals, schools, libraries, other)	
SPECIAL TAXES AND FEES							
Alcoholic Beverage Tax	1933	Sale of alcoholic beverages	Persons manufacturing, selling, or importing alcoholic beverages: 7,197	(All rates per gallon) Distilled spirits 100 proof or lower – \$3.30 over 100 proof – \$6.60 Beer and wine – \$0.20 Champagne and sparkling wine – \$0.30	\$356.6 million +3.0%	General Fund (for example, education, safety, health and social services resource management, other)	
California Tire Fee	1991	New tires purchased from a retailer	Retailers selling new tires; purchasers under certain circumstances: 13,793	\$1.75 per tire	\$52.0 million +6.1%	California Tire Recycling Management for recycling, disposal, and reuse Air Pollution Control Fund for mitigation from used tires	
Childhood Lead Poisoning Prevention Fee	1993	Motor vehicle fuel; architectural coatings; lead releases into California air	The petroleum industry, the architectural coatings industry, and facilities reporting releases of lead into the air: 986	Re-established each reporting year by the Department of Public Health	\$24.3 million +21.2%	Childhood Lead Poisoning Prevention support lead poisoning prevention children	
Cigarette and Tobacco Programs	Cigarette and Tobacco Products Licensing	2004	The activity of selling cigarettes and tobacco products in California requires licensing of manufacturers, distributors, wholesalers, importers, and retailers of cigarette and tobacco products	Cigarette and tobacco products manufacturers and importers: 119; cigarette and tobacco products distributors: 540; cigarette wholesalers: 384; and cigarette retailers: 36,980	Sellers of cigarettes and tobacco products must be licensed. License fees depend on type(s) of product or activity. For more information, see www.boe.ca.gov/sptaxprog/tax_rates_std.htm#4	\$1.7 million +2.4%	Cigarette and Tobacco Products Fund for tobacco sales licensing, and related activities
	Cigarettes	1959	Cigarette distributions	Cigarette manufacturers: 28; Cigarette distributors: 86; Cigarette consumers who buy directly from out-of-state vendors: 90	87¢ per pack	\$787.3 million -3.7%	2¢ Breast Cancer Fund 10¢ General Fund 25¢ Special Fund 1—see below 50¢ Special Fund 2—see below
	Tobacco Products	1989	Distribution of tobacco products, including cigars, chewing tobacco, pipe tobacco, and snuff	Tobacco products distributors: 533; Tobacco products manufacturers and importers: 83; Tobacco products wholesalers: 256	30.68% of wholesale cost (effective 7-1-2012)	\$82.5 million 2.6%	Special Fund 1: 35% hospital services, 20% health education, 10% physical 5% research, 5% public resource allocated Special Fund 2: Early childhood care 20% state, 80% counties
Diesel Fuel Tax	1995	Diesel fuel upon distribution, importation into the state, or sale	Suppliers of diesel fuel: 246; Other accounts: 33,205	10¢ per gallon	\$327.2 million -11.0%	Highway Users Tax Account to contribute to maintain public roads and mass transit	
Motor Carrier Office	International Fuel Tax Agreement (IFTA) Interstate User Tax	1995	Diesel fuel used to operate qualified motor vehicles on California highways	Motor carriers who use diesel fuel in interstate operations: 21,495 ²	44.5¢ per gallon (effective 1-2013)	\$78.2 million -1.3%	Highway Users Tax Account to contribute to maintain public roads and mass transit
	Use Fuel Tax	1937	Vehicular use of liquid natural gas, compressed natural gas (CNG), and certain other fuels	Owners and operators of vehicles powered by covered fuels, use fuel vendors: 1,117	6¢ – 18¢ per gallon of fuel (varies by type), 7¢ per 100 cubic feet of CNG, or annual fee based on vehicle weight	Included with revenue for diesel fuel	Highway Users Tax Account to contribute to maintain public roads and mass transit systems
Aircraft Jet Fuel Tax	1969	Sales of jet fuel	Jet fuel dealers: 218	2¢ per gallon	\$2.6 million +4.3%	State Transportation Fund, Aeronautics for airport programs	
Motor Vehicle Fuel Tax	2002 ³	Gasoline upon distribution, importation into the state, or sale	Gasoline suppliers: 140; Other accounts: 154	36.0¢ per gallon (effective 7-1-2012)	\$5.2 billion -0.3%	State Transportation Fund to contribute to maintain public roads and mass transit	
Electronic Waste Recycling Fee	2005	Certain new or refurbished televisions, computer monitors, laptop computers, and other devices (referred to as Covered Electronic Devices [CEDs])	Retailers of new or refurbished CEDs, purchasers under certain circumstances: 11,655	Fee ranges from \$3.00 to \$5.00 imposed on the retail sale to consumers depending on the viewable size of the video display, measured diagonally (effective 1-1-2013)	\$86.9 million -21.2%	Electronic Waste and Recovery Program Account funds electronic waste recycling programs that, over time, will reduce hazardous waste in landfills	
Emergency Telephone Users Surcharge	1977	Charges for intrastate telephone communication and Voice over Internet Protocol (VoIP) services that provide access to the 911 emergency system	Telephone users, paid through telephone service suppliers: 549	0.50% of charges for services	\$79.2 million -5.0%	State Emergency Telephone Number for local entities operations of the emergency system	
Energy Resources Surcharge	1975	Use of electricity	Electrical energy consumers and utilities: 140	\$.00029 per kilowatt hour (twenty-nine hundredths of a mill)	\$71.7 million -3.4%	Energy Resources Programs Account ongoing energy programs and projects	
Fire Prevention Fee	2011	Habitable structures located on property in areas where the state is financially responsible for the prevention and suppression of wildfires (State Responsibility Area—SRA)	Owners of habitable structures located within the SRA: 806,394	\$150 per habitable structure (Owners of habitable structures within boundaries of a local agency providing fire protection receive a \$35 reduction per habitable structure)	\$75.2 million N/A	State Responsibility Area Fire Prevention supports fire prevention activities	
Hazardous Substances Tax Law	Activity Fee	1989	Applications and modification requests for hazardous waste permits	Registration varies annually and is supplied by DTSC	Varies according to activity requested	\$0.4 million -10.4%	Hazardous Waste Control Account of hazardous waste management
	Disposal Fee	1985	Hazardous waste disposed of by depositing on, or into, land	Hazardous waste disposal facilities: 9	Rates per ton vary, depending on waste category, volume, and disposal method	\$3.7 million -18.3%	Hazardous Waste Control Account of hazardous waste management
	Environmental Fee	1989	Activity by certain types of organizations	Businesses and organizations with at least 50 employees, in industry groups that use, generate, store, or conduct activities relating to hazardous materials: 49,872	\$297 – \$14,117 per year, based on the number of workers employed in California more than 500 hours annually (effective 1-1-2013)	\$42.3 million +1.4%	Toxic Substances Control Account of contaminated sites
	Facility Fee	1986	Storage, treatment, or disposal of hazardous waste	Hazardous waste facilities: 184	Varies according to size and type of facility	\$4.7 million -7.9%	Hazardous Waste Control Account of hazardous waste management
	Generator Fee	1986	Generation of hazardous waste at a specific site	Generators of hazardous waste who have not paid a facility fee: 6,003	\$209 – \$83,460 per year, based on the amount of waste generated (effective 1-1-2013)	\$21.5 million -7.8%	Hazardous Waste Control Account of hazardous waste management
Insurance Tax	1911	Gross premiums, ocean marine insurance underwriting profits, title insurance company income	Insurance companies: 2,079 Surplus line brokers: 587	5.00% ocean marine 2.35% all others	\$2.1 billion +3.8%	General Fund	
Integrated Waste Management Fee	1989	Disposed waste, by volume	Solid waste landfill operators and wood waste facility operators: 165	\$1.40 per ton—solid waste \$0.75 per ton—wood waste	\$40.9 million +0.3%	Integrated Waste Management Account landfill-related environmental programs	
Lumber Products Assessment	2013	Purchases of lumber products and engineered wood products for use in California	Person purchasing lumber or engineered wood products; collected from purchaser by retailers: 20,841	1% assessment on purchases of lumber products and engineered wood products for use in California, based on the selling price of the products	\$14.6 million N/A	Timber Regulation and Forest Restoration for the regulation and care of the	
Marine Invasive Species Fee	2000	Ships with ballast water entering California from outside a defined coastal zone	Owners and operators of vessels entering California ports: 4,939	\$850 per qualifying vessel voyage	\$4.5 million +3.7%	Marine Invasive Species Control Program to support a program that addresses the of non-native aquatic species into waters	
Natural Gas Surcharge	2001	Natural gas used by customers of a public utility gas corporation or interstate pipeline	Gas utility companies: 31 Gas consumers: 17	Varies, depending on utility's service area and program costs	\$647.5 million +2%	Gas Consumption Surcharge Fund Programs for low-income assistance conservation, and related purposes	
Occupational Lead Poisoning Prevention Fee	1991	Industrial activity by employers in certain industrial classifications	Employers with 10 or more employees in industries with documented evidence of potential occupational lead poisoning: 11,571	\$305 – \$3,494 per year, based on the number of employees and industrial classification (effective 1-1-2013)	\$3.2 million +1.7%	Occupational Lead Poisoning Prevention Account to support lead poisoning program	
Oil Spill	Oil Spill Prevention and Administration Fee	1991	Crude oil and petroleum products received at marine terminals in California or moved through pipelines in marine waters in California	Marine pipeline operators; owners of crude oil and petroleum products received at marine terminals: 46	6.5¢ per barrel (effective 1-2012)	\$31.3 million +10.4%	Oil Spill Prevention and Administration support oil spill prevention programs of spill effects, prevention, and
	Oil Spill Response Fee	1991	Petroleum products received at marine terminals, moved through pipelines in marine waters, or received at refineries in California	Owners of petroleum products received at marine terminals, marine pipeline operators, oil refineries: 27	25¢ per barrel	No fees collected in 2012-13; \$50 million Oil Spill Response Trust Fund is at maximum	Oil Spill Response Trust Fund pay to and clean-up of marine oil spill wildlife care; spill-related damage
Underground Storage Tank Maintenance Fee	1989	Storage of petroleum products in underground tanks	Owners of underground fuel storage tanks: 7,882	2.0¢ per gallon	\$314.9 million -0.6%	Underground Storage Tank Clean-up ensure clean-up of leaking underground storage tanks	
Water Rights Fee	2004	Applications for, and annual renewals of, water rights	Holders of, and applicants for, water rights	Set each reporting period	\$13.6 million	Water Rights Fund for operation and	

REACHING OUT TO OUR BUSINESS PARTNERS

We work with businesses to ensure they pay no more and no less than they should.

We emphasize accurate and complete recordkeeping.

We help businesses stay current with the newest information about taxes and fees.

Our goal is to educate businesses so they can thrive and succeed.

We offer a variety of resources and assistance.



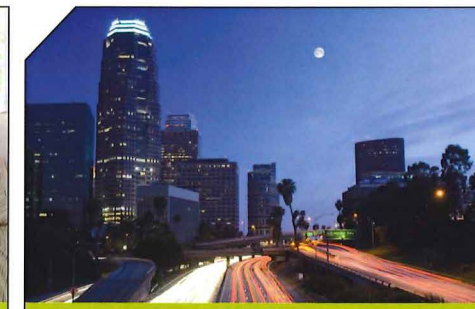
Helping Social Welfare Programs

Social welfare and human services programs provide essential medical and dental services, and provide access to critical care programs promoting health, well-being, and the ability to function in society.

Programs funding these activities include:

- Alcoholic Beverage Tax*
\$ 356.6
- Childhood Lead Poisoning Prevention Fee
\$ 24.3
- Cigarette and Tobacco Products Licensing Program
\$ 1.7
- Cigarette and Tobacco Program
\$ 781.4
- Insurance Tax*
\$ 2.1 billion
- Natural Gas Surcharge
\$ 647.5
- Occupational Lead Poisoning Prevention Fee
\$ 3.2
- Private Railroad Car Tax*
\$ 7.9

*Funds are distributed to the General Fund and allocated for use by the Governor and Legislature. This is an example of how these funds may be used.



Meeting Transportation Needs

Transportation programs create, maintain, and strengthen our public roads and freeways, airports, seaports, and mass transit systems throughout California.

Programs funding these transit needs include:

- Aircraft Jet Fuel Tax
\$ 2.6
- Diesel Fuel Tax
\$ 327.2
(includes revenue from the International Fuel Tax Agreement [IFTA] and Interstate User Tax)
- Motor Vehicle Fuel Tax
\$ 5.2 billion



Supporting Public Safety Services

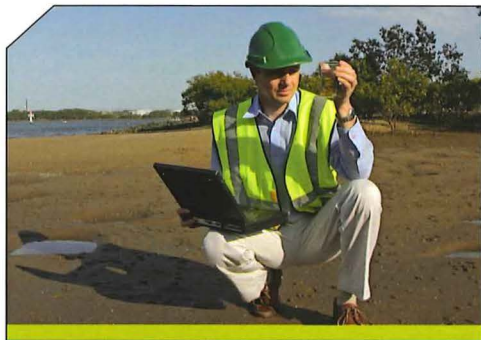
Public safety programs place law enforcement officers on our streets and highways, in our towns and in our cities, prevent crime, and provide emergency services such as 911.

Programs funding these public safety activities include:

- Bradley-Burns Uniform Local Sales and Use Tax
\$ 5.8 billion
- Emergency Telephone Users Surcharge
\$ 79.2

SUPPORTING OUR COMMUNITIES

In cooperation with other state agencies, the BOE helps to protect our natural resources, maintain our roads and highways, promote public safety, support social welfare programs, and provide health care services. Together, we are supporting our communities and funding a better quality of life.



Protecting the Environment

Natural resources management programs protect and restore our state's diverse natural resources for current and future generations. These programs include our state parks, impressive coastlines and lakes, spectacular forests, vast fish and wildlife habitats, rich farmlands, and mineral resources.

Programs funding these environmental endeavors include:

• California Tire Fee	\$ 52.0
• Electronic Waste Recycling Fee	\$ 86.9
• Energy Resources Surcharge	\$ 71.7
• Fire Prevention Fee	\$ 75.2
• Hazardous Substances Taxes and Fees	\$ 72.6
• Integrated Waste Management Fee	\$ 40.9
• Lumber Products Assessment Fee	\$ 14.6
• Marine Invasive Species Fee	\$ 4.5
• Oil Spill Prevention and Administration Fee	\$ 31.3
• Timber Yield Tax	\$ 7.9
• Underground Storage Tank Maintenance Fee	\$314.9
• Water Rights Fee	\$ 13.6

Dollar figures expressed in millions unless otherwise stated.

In-Person Services

- **Customer Service Center: 1-800-400-7115 or TTY:711**

You can receive customized assistance from our Customer Service Center. Our representatives are available to assist you with general tax assistance 8:00 a.m. to 5:00 p.m., (Pacific time), except state holidays.

- **Classes, Seminars, and Presentations**

Keeping up with changing tax laws can be challenging for any business. The BOE offers in-person training to help you stay informed.

In FY 2012-13, we offered:

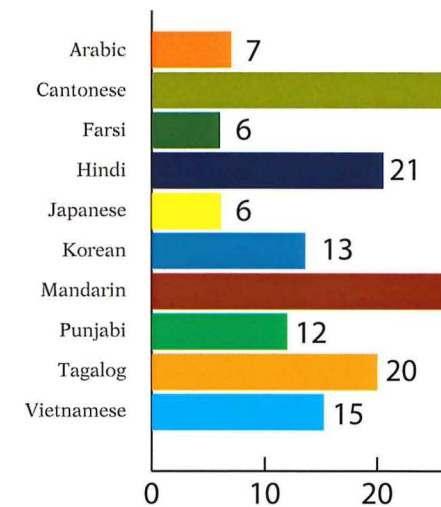
- o 90 Basic Sales and Use Tax Classes
- o 75 Translated Basic Sales and Use Tax Classes
- o 67 Tax Return Preparation Classes
- o 6 Online Filing Classes
- o 25 Business Seminar Days
- o 6 Nonprofit and Exempt Organization Seminars
- o 10 Volunteer Income Tax Assistance (VITA) Events
- o 14 Cigarette and Tobacco Retail Sales Classes

- **Interpreter Services**

The BOE provides interpreter services at our offices and Board hearings when requested. We have 550 interpreters fluent in 42 languages and dialects, and offer interpretation in American Sign Language.

We also have nearly 300 translators fluent in Spanish to help those who need assistance. See the accompanying bar chart for a sampling of translators of other languages available to assist our customers.

Available BOE translators by language



helping all California businesses and individuals comply with our state's changing tax laws. As part of that effort, we launched our Industry Website. These tax guides provide a one-stop-shop for business owners for information on key tax issues relevant to their business.

Connect with Us”

social media package in FY 2012-13 which enhanced our ability to connect with the public.

Publications

added the tutorial, Underground Storage Tank Permit Verification, for underground storage tanks to our website.

Expanded Learning Sessions for Appraisers

content and implementation of online training for appraisers expanded by offering:

Webinars—In partnership with the California Assessors’ Association (CAA), BOE developed and presented three workshops on open-space properties, assisted the CAA in broadcasting webinars on hotel valuation, golf course valuation, and change in ownership, furthering the BOE’s goal of providing mandatory training at a cost savings to the BOE and county assessors’ staff.

Self-Paced Learning Sessions—BOE developed a new type of appraiser training where learning is provided through structured reading and illustrated examples combined with student performed exercises to ensure comprehension of material presented. We posted the *Valuation of Personal Property and Fixtures* to the BOE website in FY 2012-13.

Opportunity System

The Opportunity System (CROS) will update BOE’s computer systems, services to California businesses. It will also improve BOE’s internal processes to provide more efficient customer service. The new system will help close the budget gap that is anticipated will result in an annual net increase of \$200 million. In addition, we prepared a comprehensive Request for Proposal to solicit the expertise of a contractor to build the system. The BOE expects development to begin during the first

Timber Yield Tax

Timber owners pay the 2.9 percent timber yield tax based on the immediate harvest value of trees harvested for wood products. Revenues are returned to the counties where the timber was harvested. Calendar year 2012 revenues totaled \$8.2 million.

Timber harvest volume increased from 1.30 billion board feet in 2011 to 1.31 billion board feet in 2012. The total value of the year’s harvest decreased to \$267.4 million. The number of registered timber owners decreased from 1,451 active program registrants at the end of June 2012 to 1,433 active program registrants as of June 30, 2013. Thirty timber owners paid approximately 84 percent of the tax collected in 2012.

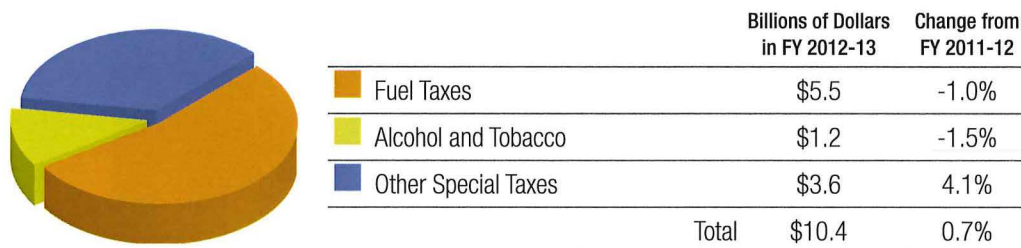
Special Taxes and Fees Revenues

In cooperation with other state agencies, we administer many of the special tax and fee programs. These programs fund efforts to protect our pristine beaches, majestic coastlines, and stately forests. Revenues from the insurance tax, the alcoholic beverage tax, and a portion of the cigarette tax receipts are allocated to the General Fund to support public safety and health and social services programs. Other special taxes and fees fund specific state services from highway construction to recycling programs.

In FY 2012-13, BOE special tax and fee program revenues totaled \$10.4 billion, an increase of 0.7 percent from FY 2011-12. Of the \$10.4 billion total revenue generated through the special tax and fee programs, fuel taxes totaled \$5.5 billion, while alcohol and tobacco taxes totaled approximately \$1.2 billion.

More than 274,062 special tax and fee program returns were filed with the BOE in FY 2012-13.

FY 2012-13 SPECIAL TAXES AND FEES REVENUES*



*Detail may not add up to total due to rounding

For more detailed information about any of our tax and fee programs, please see *Taxes and Fees Administered by the California State Board of Equalization FY 2012-13*, publication 41. It can be found at www.boe.ca.gov.

Property Tax Revenues

The BOE oversees the assessment practices of the state's 58 county assessors, who are charged with establishing values for approximately 13 million assessments each year. Property taxes raised more than \$49.9 billion for local governments during FY 2012-13, an *increase* of 1.8 percent from the previous year's total of \$49 billion. County-assessed property values *rose* \$188 billion during FY 2012-13 to reach \$4.5 trillion for the 2013-14 tax year.

In 2013, the BOE set the values of state-assessed properties, primarily privately-owned public utilities and railroads, at \$90.8 billion for the 2013-14 roll. This was a \$3.7 billion *increase* from FY 2012-13 values.

General Property Taxes

The BOE assesses some public utility and other specified properties. Revenues allocated to California counties produced an estimated \$966 million in local property tax revenues for the state's 58 counties in FY 2012-13.

The BOE develops property tax assessment policies and informational materials to guide county assessors and local assessment appeals boards. In FY 2012-13, we issued 11 Assessment Practices Survey reports of local assessor's offices. We also provided a number of services to the county assessors and the public including issuing 94 letters to the assessors, reviewing 1,140 exemption certificate claims and issuing 680 property tax exemption certificates. Our Legal Entity Ownership Program discovered 1,132 changes in control and ownership, resulting in the reassessment of 3,982 parcels owned by the entities.

County-assessed property values for the 2013-14 roll increased 4.3 percent from the previous year. This follows a 1.4 percent increase for FY 2012-13. This increase in growth is the result of an improving economy, rising home prices, and additional construction. *It is the fastest increase since 2008-09.*

Private Railroad Car Tax

Private railcar owners pay the private railroad car tax on railcars operated in California. For 2013-14, the Board-adopted assessed value for private railroad cars totaled \$754 million. The total assessed value reflects the application of an 80.46 percent assessment ratio as required by the Federal Railroad Revitalization and Regulatory Reform Act. The estimated private railroad car tax revenue for the state's FY 2013-14 General Fund is \$8.4 million.

In FY 2012-13, the BOE reviewed 5.5 million homeowners' exemption claims, saving the state \$1.7 million.

• Feedback Is Important

We want to know how we can improve your experience. Through responses we can gauge customer satisfaction. We are proud to serve you! In FY 2012-13, the Use Tax Department received over 9,200 survey responses, in which 85 percent of the respondents were pleased with the overall process and services provided.

Taxpayers' Rights Advocate Assistance

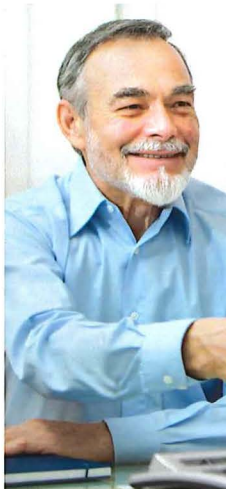
The Taxpayers' Rights Advocate (TRA) is committed to resolving taxpayer concerns and problems when normal channels do not work. In FY 2012-13, the TRA helped 1,200 taxpayers and individuals resolve their issues. More information can be found in the *Rights Advocate's Property and Business Taxes Annual Report*, available on our website.

• Legal Assistance through the Tax Appeals Assistance Program

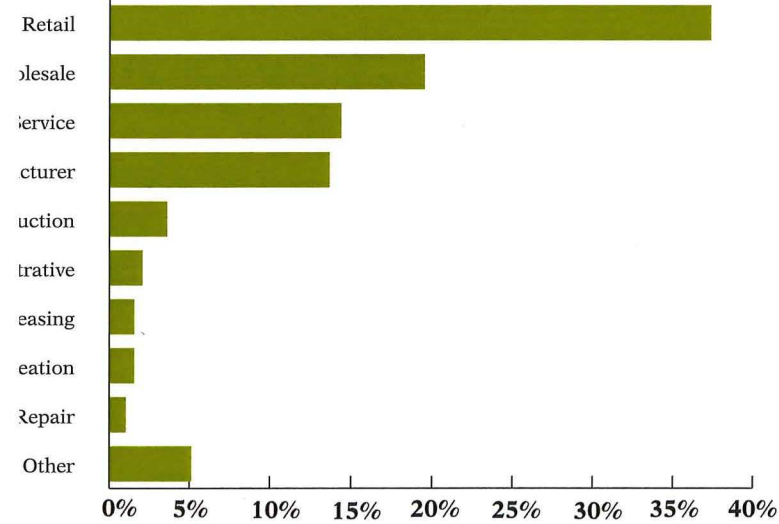
The Tax Appeals Assistance Program (TAAP), managed by the TRA, makes available free legal assistance from law students to low-income individuals with certain types of income tax and consumer use tax appeals of less than \$20,000. Legal assistance is also available for appeals of Cigarette and Tobacco Licensing Act violations.

In FY 2012-13, TAAP:

- o Informed 872 individuals that they may qualify for the program,
- o Accepted 284 cases into the program, and
- o Resolved 234 cases.



**Compliance by NAICS* Industry Class
Percentage of Revenues Collected**



American Industry Classification System

maintains an effective audit program to ensure that businesses report neither more nor less tax than required. The program audits a sample of active accounts each year, concentrating on those considered likely to be inaccurate in their tax reporting. In FY 2012-13, the sales and use tax audit program disclosed net deficiencies of more than \$528 million. The program received more than \$155 million in sales and use tax audit refunds.

The program protects honest businesses against those that are not compliant with the law and engage in tax evasion. BOE investigators with Limited Peace Officer status are authorized to inspect, seize illegal product, and issue civil and criminal citations to those in violation of the state's cigarette and tobacco tax laws. LPOs also make field calls to businesses that continue to operate with revoked seller's permits. Such site visits give business owners an opportunity to comply voluntarily.

SUMMARY OF REVENUES (in thousands of dollars)	FY 2012-13	FY 2011-12	Yr-to-Yr Chg
Alcoholic Beverage Taxes a/	\$356,551	\$346,252	3.0%
Beer and Wine	169,053	162,198	4.2%
Distilled Spirits	187,498	184,054	1.9%
Cigarette and Tobacco Products Taxes a/	871,533	901,157	-3.3%
Breast Cancer	21,409	22,540	-5.0%
CA Children and Families First b/	480,490	498,497	-3.6%
Cigarette and Tobacco Products Compliance c/	1,696	1,657	2.4%
Cigarette and Tobacco Products Surtax	277,832	283,420	-2.0%
Cigarette Tax	90,106	95,042	-5.2%
Energy Resources Surcharge	71,673	74,163	-3.4%
Environmental Taxes and Fees d/	719,416	661,102	8.8%
California Tire Recycling Management	51,983	48,992	6.1%
Childhood Lead Poisoning Prevention	24,321	20,070	21.2%
Electronic Waste Recovery and Recycle	86,890	110,255	-21.2%
Hazardous Substances Taxes and Fees	72,534	75,045	-3.3%
Integrated Waste Management	40,911	40,790	0.3%
Marine Invasive Species Control	4,526	4,364	3.7%
Occupational Lead Poisoning Prevention	3,207	3,154	1.7%
Oil Spill Prevention and Administration	31,337	28,380	10.4%
State Responsibility Area Fire Prevention e/	75,202		NA
Underground Storage Tank Cleanup	314,880	316,898	-0.6%
Water Rights	13,625	13,153	3.6%
Fuel Taxes and Fees:	5,536,122	5,592,013	-1.0%
Gasoline Tax f/	5,206,304	5,221,980	-0.3%
Jet Fuel Tax	2,643	2,534	4.3%
Motor Vehicle Fees	6,468	4,347	48.8%
Motor Vehicle Fuel Account g/	320,707	363,152	-11.7%
Gas Consumption Surcharge Fund h/	647,505	646,308	0.2%
Insurance Taxes i/	2,063,818	1,988,859	3.8%
Property Taxes	981,681	963,102	1.9%
Local Taxes on State-Assessed Properties j/	965,940	947,000	2.0%
Private Car Tax	7,886	8,041	-1.9%
Timber Yield Tax	7,855	8,061	-2.6%
Retail Sales Tax and Fees a,k/	44,679,961	41,196,804	8.5%
City and County Taxes l/	4,373,939	4,009,624	9.1%
County Transportation Tax	1,458,207	1,329,474	9.7%
Fees m/	12,741	10,560	20.7%
Fiscal Recovery Fund Sales Tax n/	1,443,966	1,345,698	7.3%
Local Revenue Fund 2011 o/	5,516,137	5,247,531	5.1%
Local Revenue Fund State Sales Tax	2,916,188	2,722,030	7.1%
Public Safety Fund Sales Tax	2,916,186	2,721,846	7.1%
Special District Taxes	4,986,206	4,567,694	9.2%
State Taxes f,n,p/	21,056,390	19,242,348	9.4%
State Emergency Telephone Number Account	79,152	83,313	-5.0%
Timber Regulation and Forest Restoration Fund q/	14,637		NA
Total Revenues	\$56,022,049	\$52,453,072	6.8%

For expanded annual data including footnotes, please see Statistical Table 2 at www.boe.ca.gov. (Modified accrual basis of accounting)

REINVESTING IN OUR COMMUNITIES

The BOE generated more than \$56 billion for California, an increase of 6.8 percent from \$52.5 billion in FY 2011-12.



Appeals Process

The BOE plays a significant role as the appellate body for the review of property tax determinations. Our Members hear appeals from taxpayers regarding:

- Sales and Use Taxes
- Certain Special Taxes and Fees
- State-Assessed Property Values
- Corporation Tax and Franchise Tax
- Timber Tax
- Welfare Exemptions

In FY 2012-13, taxpayers filed 44 property tax appeals with the BOE:

- 43 Petitions from State-Assessed Public Utilities
- 1 Private Railroad

Although a majority of cases are resolved at the department level, the Board hears appeals from taxpayers who disagree with decisions regarding how much sales and use tax they owe.

In FY 2012-13, taxpayers filed the following appeals with the BOE:

- 1,296 Sales and Use Tax Appeals
- 90,874 Special Tax and Fee Appeals*
- 565 Consumer Use Tax Appeals

In FY 2012-13, the BOE received 981 appeals filed under the Corporation Tax Income Tax Law. The Board issued 242 decisions, considering 35 of the cases deciding the remaining appeals based upon a review of the written record. Of these, 10 were petitions for rehearing.

Settlement and Offer in Compromise Programs

The BOE offers a settlement program when appropriate for certain tax and fee cases. In FY 2012-13, 372 cases were settled for a total settlement amount of \$77.08 million. This includes 16 special taxes or fees for a settlement amount of \$3.68 million.

BOE also provides an “offer in compromise” program for certain tax and fee cases. In FY 2012-13, the Board approved 216 offers in compromise.

*During FY 2012-13, the BOE received 474 Water Rights appeals and 2 Childhood Lead Poisoning and Prevention Fee appeals; the California Water Resources Control Board is responsible for decisions related to the Water Rights appeals; the California Department of Public Health is responsible for decisions related to Childhood Lead Poisoning and Prevention Fee appeals. The California Department of Fire Protection (CAL FIRE) is responsible for decisions relating to the Fire Prevention Fee appeals which numbered 317. The remaining 317 appeals are related to other special tax and fee programs.

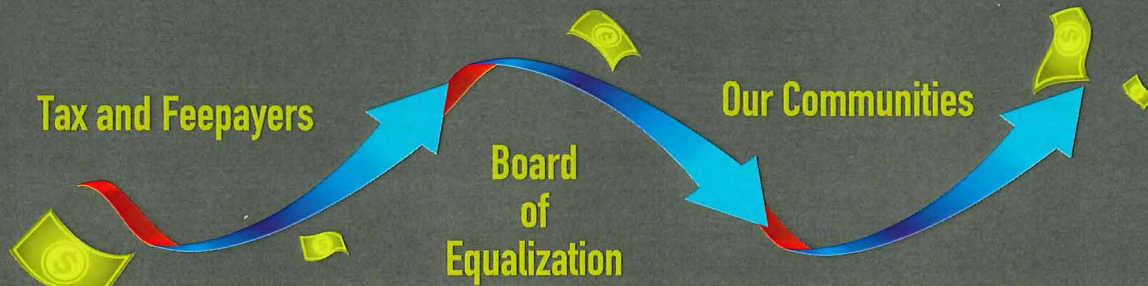


CONTRIBUTING TO OUR QUALITY OF LIFE



The BOE generated more than 30 percent of the money that benefits our communities by helping provide funding for hundreds of state and local government programs and services, including:

- Natural Resources Management
- Social Welfare Programs
- Hospital and Health Care Services
- Transportation and Housing
- Public Safety Programs



CHANGING LAWS AND REGULATION

Regulations

The following list summarizes the Board's adoption, amendment, and repeal rules, sales and use tax regulations, and special taxes and fees regulations that during FY 2012-13. Please visit www.boe.ca.gov for more information about regulations.

Property Tax

- Rule 101, *Board-Prescribed Exemption Forms*
- Rule 171, *Board-Prescribed Report Forms and Property Statements*
- Rule 252, *Content of Assessment Roll*
- Rule 263, *Roll Corrections*
- Rule 313, *Hearing Procedure*
- Rule 321, *Burden of Proof*
- Rule 1045, *Administration of the Annual Racehorse Tax*

Sales and Use Tax

- Regulation 1618, *United States Government Supply Contracts*
- Regulation 1620, *Interstate and Foreign Commerce*
- Regulation 1684, *Collection of Use Tax by Retailers*
- Regulation 2000, *Retailer Reimbursement Retention*

STRENGTHENING CALIFORNIA TOGETHER

We are committed to strengthening California communities. We team up with businesses, large and small, to improve our roads and our schools, to invest in law enforcement and our environment, and to provide access to other critical services. The BOE generated \$56 billion in FY 2012-13, revenue that is vital to maintaining the economic health of our state.

We accomplish this through the following activities:

- Interpreting and applying tax and fee laws correctly, consistently, and fairly.
- Collecting and allocating revenues as required by law.
- Assessing and allocating property values as required by law.
- Educating and assisting tax and fee payers to comply voluntarily, while minimizing their compliance burden.
- Providing high-quality customer service, using well-qualified staff and state of the art technology.
- Achieving program objectives at the lowest possible cost.

So, remember, as you drive down our roads, enjoy our parks, or seek help from law enforcement, your experiences are possible because of the revenue the BOE generates from your contributions.

293, Statutes of 2012, effective September 11, 2012
Tobacco Sales to Minors
er 335, Statutes of 2012, effective January 1, 2013
nt
er 289, Statutes of 2012, effective September 11, 2012, but
ns
er 788, Statutes of 2012, effective January 1, 2013
Managed Care Plans
Statutes of 2013, effective June 27, 2013
Compromise Repeal Date Extension
285, Statutes of 2012, effective January 1, 2013

he court decisions impacting the BOE during FY 2012-13

ions

Retirement System v. County of Los Angeles (2013)

7510, subdivision (b)(1) is facially unconstitutional because it prohibits the assessment of property taxes on publicly-owned real property in excess of its fair market value.

Kern (2013) 214 Cal.App.4th 720

taxpayer's discount rate from an after-tax rate to a before-tax rate, resulting in an estimated average income tax rate that included income tax rather than the typical potential purchaser's expected combined marginal income tax rate.

Illory (2012) 207 Cal.App.4th 26

imposed on managers of fractionally-owned aircraft is unconstitutional, but may not be applied retroactively.

BUILDING OUR FUTURE

Our customers want access to information and services anytime and anywhere. In order to meet their needs, we understand we must continue to innovate and adapt to our rapidly changing world.

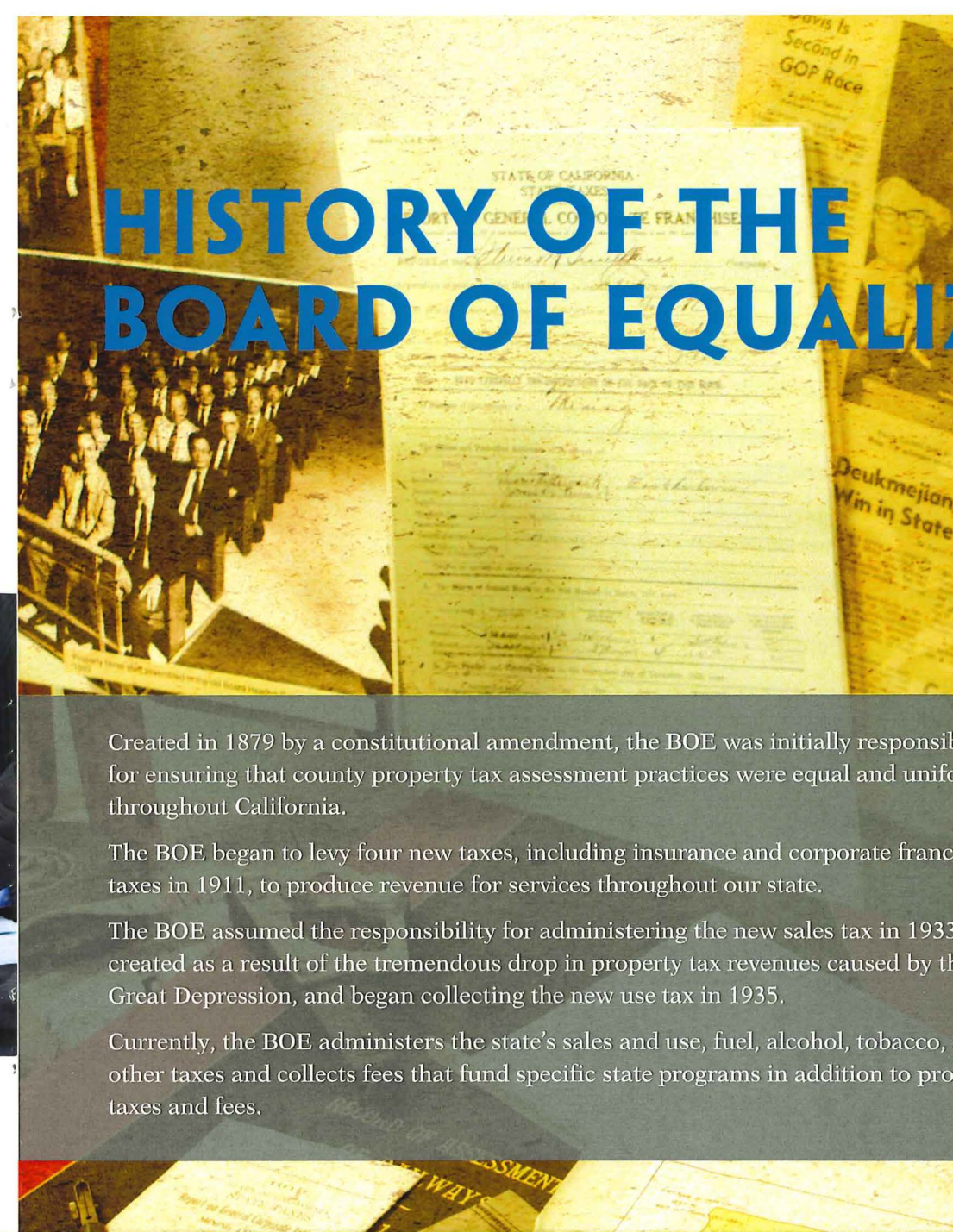
During the next twelve months, we will continue to implement new tax legislation and focus on improved customer service, as we enhance our suite of online services for tax and fee payers.

We will provide more taxpayer assistance through seminars and workshops to encourage voluntary compliance. BOE policies and procedures will also be reviewed and, when appropriate, revised in an effort to streamline compliance.

Additionally, the BOE will apply strong organizational development practices to improve productivity in all areas, enhance accountability and transparency, and prepare our workforce for tomorrow's challenges.

The BOE's business operations will also be challenged by the agency's participation in Wave 1 of the State's FI\$Cal project (the business transformation project for state government in the areas of budgeting, accounting, procurement, and cash management). The BOE will also continue the pre-implementation phase of its own top to bottom technology modernization effort, Centralized Revenue Opportunity System.

Above all, we look forward to ensuring our tax and fee payers always receive the professional assistance they deserve and information they need to be successful.



Created in 1879 by a constitutional amendment, the BOE was initially responsible for ensuring that county property tax assessment practices were equal and uniform throughout California.

The BOE began to levy four new taxes, including insurance and corporate franchise taxes in 1911, to produce revenue for services throughout our state.

The BOE assumed the responsibility for administering the new sales tax in 1933 created as a result of the tremendous drop in property tax revenues caused by the Great Depression, and began collecting the new use tax in 1935.

Currently, the BOE administers the state's sales and use, fuel, alcohol, tobacco, and other taxes and collects fees that fund specific state programs in addition to property taxes and fees.

STATISTICAL TABLES

including publication 41, plus more than 40 detailed statistical tables
e.ca.gov.

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Levies as Compiled for Computation of the Average Tax Rate

Dollar, by County

BOARD MEMBERS



John Chiang
State Controller

Betty T. Yee
First District

Jerome E. Horton
Chairman
Fourth District

Michelle Steel
Vice Chair
Third District

Sen. George Runner (RET.)
Second District

The BOE is unique, holding the distinction of being the only elected tax commission in the United States.

Composed of five Board Members, the BOE administers more than 30 tax and fee programs that generate revenue essential to our state. Additionally, the Board hears appeals from various business tax assessments, Franchise Tax Board actions, and public utility assessments. The BOE serves a significant role in the assessment and administration of property taxes by issuing rules and regulations, establishing the values for tax purposes of railroads and specified privately-held public utilities, and overseeing the assessment practices of the state's 58 county assessors.

Public Board meetings offer taxpayers and other interested parties the opportunity to participate in the formulation of rules and regulations adopted by the Board and to interact with the Members as they carry out their official duties. Meetings are held throughout the year. The Board meets monthly in Sacramento and as necessary, in other California cities.

LETTER FROM THE EXECUTIVE DIRECTOR



On behalf of our Executive Team and dedicated employees, I am pleased to present this Annual Report of the services and accomplishments of the Board of Equalization (BOE) for the fiscal year which ended June 30, 2013.

The BOE has a full slate of programs to carry out its constitutional and statutory mandates of administering various taxes and fees and serving as an appellate body for property, business, and income tax assessments.

Making compliance with California's tax laws as easy as possible is instrumental to our effectively collecting tax dollars. During this reporting period the BOE generated \$56 billion, representing more than 30 percent of all state revenue for the fiscal year, and we did so efficiently. Our total cost for all operations was \$517 million (only 92 cents for every \$100 of revenue collected).

We are proud to serve the great State of California and to continue to do our part in funding a better quality of life.

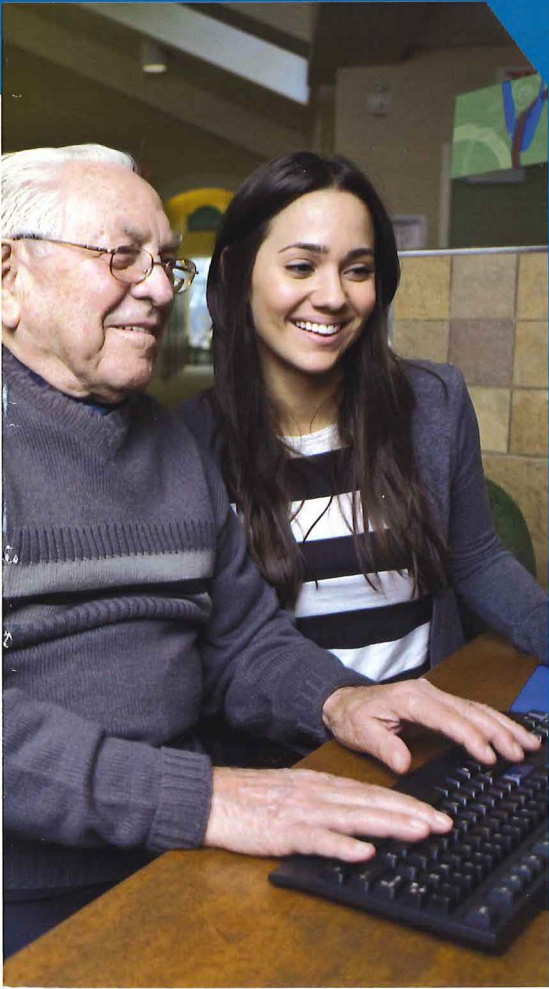
Yours in public service,

Cynthia Bridges
Executive Director

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SUPPORTING OUR COMMUNITIES

Funding a Better Quality of Life



**California State
Board of Equalization**

Connect with Us

