



State Board of Equalization

# News Release

**Michelle Steel, Member**

**3<sup>rd</sup> District – Rolling Hills Estates**

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## **Michelle Steel: California's 2nd Quarter 2008 Taxable Sales Declined 2.3%**

*Inland Empire Down 6.5% and Orange County Down 3.5% in 2nd Quarter 2008*

Michelle Steel, Third District Member of the State Board of Equalization (BOE), announced today that taxable sales in California declined 2.3 percent in the second quarter of 2008, reflecting impacts of the national recession, which began in December 2007.

California's taxable sales totaled \$139.9 billion in the second quarter of 2008, down \$3.3 billion from the second quarter of 2007. This is the fourth straight quarter of declines in the state's taxable sales. Taxable sales have not fallen in four consecutive quarters since 2002.

Income growth continued to be much stronger than taxable sales, a trend seen since early 2007. Income and sales were both boosted in the second quarter of 2008 by the federal Economic Stimulus Act of 2008, which provided income tax rebates for most households during this period.

*Editor's Note: Please see attached chart comparing California taxable sales and personal income from the first quarter of 2003 through the second quarter of 2008.*

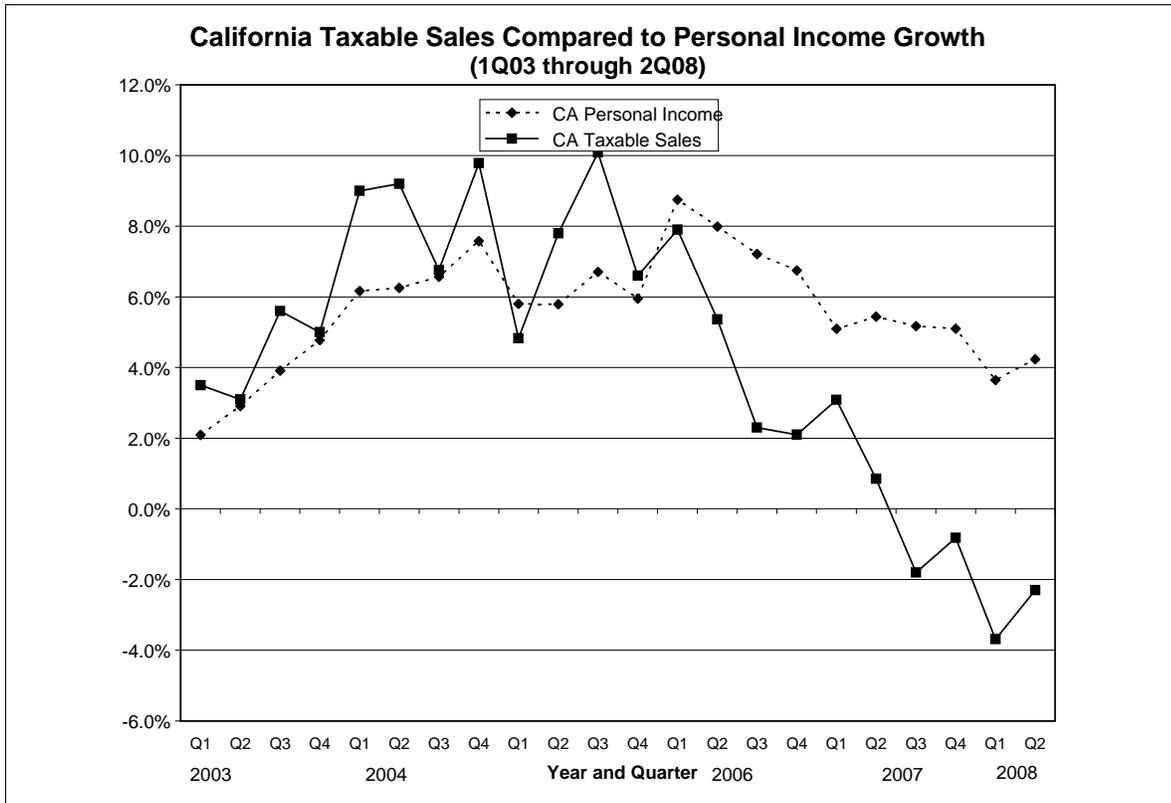
Inland Empire taxable sales declined 6.5 percent, while Orange County taxable sales declined 3.5 percent, compared to the statewide average decline of 2.3 percent. In San Diego County, taxable sales declined 1.7 percent, while in the City of San Diego taxable sales slightly edged up by 0.8 percent. Second quarter 2008 taxable sales increased 6.7 percent in Tustin, 4.1 percent in Oceanside, 3.3 percent in Orange, and 2.6 percent in Huntington Beach.

In constant dollar terms, taxable sales decreased by 5.4 percent in the second quarter 2008 over the same quarter a year ago. The California Taxable Sales Deflator measured an inflation rate of 3.3 percent for the second quarter of 2008. In contrast, the California Consumer Price Index (CPI) rose 4.0 percent. (The CPI includes services, whose prices tend to increase faster than those of most taxable goods.)

*Taxable Sales in California* is a quarterly report on retail sales activity in California, as measured by transactions subject to sales and use tax. It includes data about statewide taxable sales by type of business, as well as data about taxable sales in all California cities and counties from the first quarter of 2000 through the second quarter of 2008 and can be viewed on the BOE website at: [www.boe.ca.gov/news/tsalescont.htm](http://www.boe.ca.gov/news/tsalescont.htm).

View all Taxable Sales in California for the 2<sup>nd</sup> Quarter of 2008 here: [www.boe.ca.gov/news/tsalescont08.htm](http://www.boe.ca.gov/news/tsalescont08.htm)

**Notice:** In early 2007 the California State Board of Equalization began a process of converting business codes of sales and use tax permit holders to North American Industry Classification System (NAICS) codes. Over one million permit holders will be converted over time from the previous business coding system to the NAICS codes. As a result of the coding change process, industry data for 2007 and 2008 are not comparable. Therefore, the BOE will not publish percentage changes by industry until the coding process has been substantially completed.



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 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.

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