



MALIA M. COHEN
CHAIR
STATE BOARD OF EQUALIZATION

August 23, 2019

TO: Members of the Board of Equalization

FROM: Malia M. Cohen, Chairperson

RE: Board of Equalization Board Meeting, August 27, 2019
Item L.2. Interagency Agreements for Alcoholic Beverage Tax and Tax on Insurers: Overview of contracted services.

As a consequence of the passage of AB 102, The Taxpayer Transparency and Fairness Act of 2017, significant changes to the traditional structure and responsibilities of the Board of Equalization (BOE) were mandated, as many of these functions and responsibilities were transferred to the newly created California Department of Tax and Fee Administration (CDTFA) and the Office of Tax Appeals (OTA), while the BOE retained its Constitutional functions.

Among these Constitutional functions of the BOE are the Alcoholic Beverage Tax program and the Tax on Insurers program.

Alcoholic Beverage Tax

According to the [BOE 2016-2017 Annual Report](#), for Fiscal Year 2016-17, Alcoholic Beverage Tax revenues totaled \$368.4 million. As of June 30, 2017, the number of program registrants for the Alcoholic Beverage Tax program totaled 8,757.

As described in the [California State Board of Equalization Fact Sheet, Publication 1](#), the Alcoholic Beverage Tax is a per-gallon excise tax collected on the sale, distribution, or importation of alcoholic beverages in California; by parties licensed with the Department of Alcoholic Beverage Control Board. **As part of an interagency agreement, the CDTFA collects the tax and administers the program in cooperation with the BOE.** The BOE hears appeals of denials of claims for refund. (Emphasis added).

Tax on Insurers

According to the [BOE 2016-2017 Annual Report](#), the Tax on Insurers program is jointly administered by the BOE, California Department of Insurance (CDI), and the Office of the State Controller (SCO). The BOE's responsibilities include issuing deficiency assessments, as well as refunds, and evaluating appeals. "Registration numbers reflect only those

accounts registered with the BOE for administrative purposes. Revenues reflect all companies in California.

For Fiscal Year 2016-17, insurance tax revenue from this tax, levied against insurance companies in lieu of most other California taxes, totaled \$2.3 billion. As of June 30, 2017, 2,141 insurance companies were registered with the BOE for administrative purposes, and an additional 635 companies were registered as surplus line brokers. The SCO, the CDI, and the BOE, share administrative responsibilities of this program.”

As described in the [California State Board of Equalization Fact Sheet, Publication 1:](#)

“The insurance tax is measured by gross premiums received by insurance companies upon their business done in California. Tax assessments are issued against insurance companies based on the data they report on their insurance tax returns. **As part of an inter-agency agreement, the CDTFA issues deficiency assessments and refunds for the tax.** The BOE hears appeals of denials of claims for refund.” (Emphasis added).

Although the Alcoholic Beverage Tax and the Tax on Insurers both include Constitutional and related statutory functions of the BOE, the administration of portions of these programs are being performed by the CDTFA, as indicated in the bolded copy above.

This item is before the Board for discussion and possible action to identify the applicable interagency agreements and to explore restoration of the administration of these functions to the BOE.