



State Board of Equalization

News Release

Michelle Steel, Member

3rd District – Rolling Hills Estates

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Michelle Steel Releases 2nd Quarter 2007 Taxable Sales

Michelle Steel, Third District Member of the State Board of Equalization (BOE), today announced that taxable sales in California increased slightly in the second quarter of 2007, reflecting a continuation of slower overall economic growth that started in late 2006.

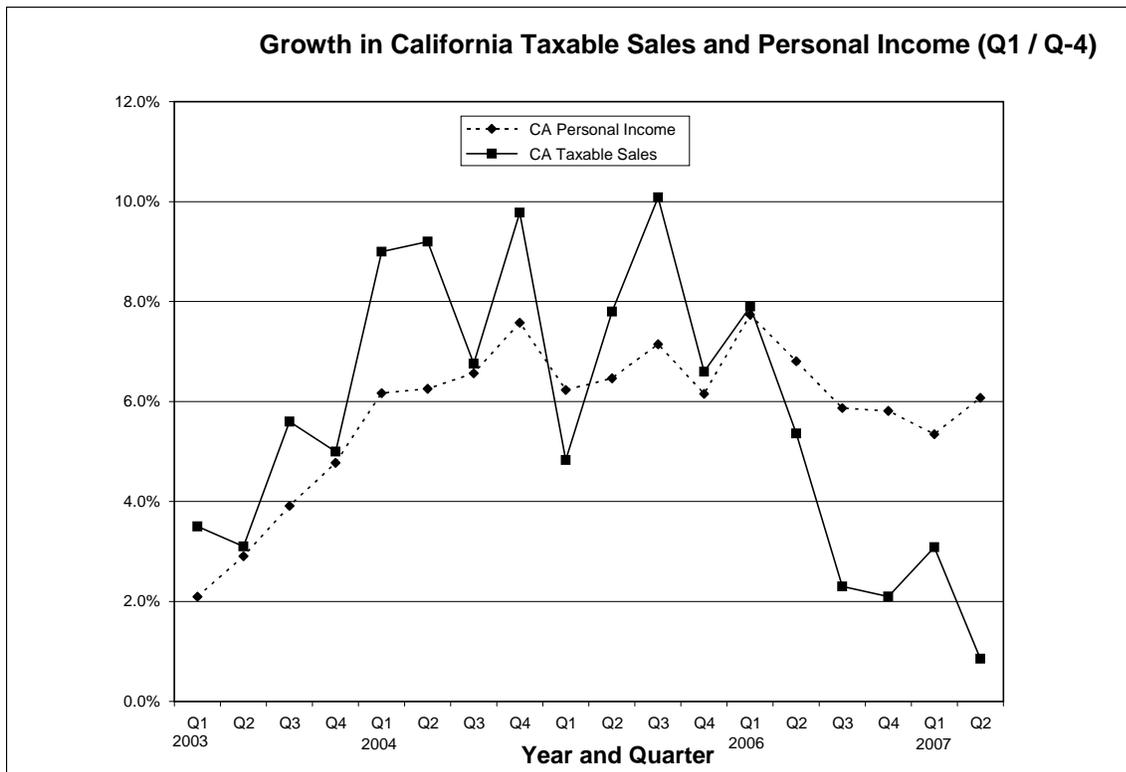
Taxable sales totaled \$143.2 billion in the second quarter of 2007, up just \$1.2 billion (or 0.9 percent) from the second quarter of 2006. Growth was weaker than that of the first quarter of 2007, when taxable sales rose 3.1 percent.

Taxable sales rose 1.4 percent in Orange County, faster than the statewide average of 0.9 percent. However, taxable sales in the Inland Empire decreased 3.2 percent, largely reflecting weak real estate markets. Taxable sales in Chula Vista and Newport Beach increased 8.4 percent and 7.7 percent respectively. Other large cities with faster than average growth rates include Costa Mesa, Irvine, and Santa Ana, with taxable sales increasing from 1 to 3 percent. Taxable sales in the City of San Diego increased 0.5 percent, slightly below the statewide average.

In constant dollar terms, taxable sales increased by 0.5 percent over the same quarter a year ago. The California Taxable Sales Deflator measured an inflation rate of 0.4 percent for the second quarter of 2007. The California CPI rose 3.3 percent. (The CPI includes services, whose prices tend to increase faster than those of most taxable goods.)

Taxable sales rose much more slowly than personal income, continuing a pattern evident since early 2006. While taxable sales rose 0.9 percent in the second quarter, California personal income increased 6.1 percent (see chart). Growth in taxable sales has not been this much slower than growth in personal income since 1992. Historical data show that quarterly taxable sales often rise much less rapidly than personal incomes during periods of economic weakness, as was the case in the early 1980s, the early 1990s and early in this decade.

Notice: In early 2007, the 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 are not comparable with data from 2006. While statewide total taxable sales data are comparable year over year, percent changes by individual industry category are not comparable. Therefore, we will not publish percentage changes by industry until the coding process has been substantially completed. The NAICS coding process has also caused us to change the format of Table 1 (see link below). We will continue to follow the general structure of our tables in past reports. However, some industries were previously listed within categories that no longer exist, and others have been combined into new ones.



For a complete list of the taxable sales in California, visit: <http://www.boe.ca.gov/news/tsalescont.htm>

Elected to the Board of Equalization in 2006, Michelle Steel serves as the country’s highest ranking Korean-American elected official. She represents the more than 8.5 million taxpayers of the Third Board of Equalization District, including the counties of Los Angeles, Orange, San Diego, Riverside, Imperial and San Bernardino.

The five-member California State Board of Equalization (BOE) 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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